

WORLD NEWS

UK to launch anonymous AIDS testing

Anonymous AIDS screening is to be introduced in Britain in the new year to try to establish how far the disease has spread.

A wide selection of people undergoing blood tests for other reasons will be tested anonymously for HIV antibodies.

Health Minister Virginia Bottomley promised that the test results would not be traceable back to individuals, and patients would have the option of refusing to have their blood tested for HIV.

Page 22

New Lebanese President

Elias Hrawi, a Maronite Christian aged 60, was sworn in as Lebanon's new President. He succeeds Rene Moawad, murdered on Wednesday only 17 days after his appointment. Mr Hrawi pledged to continue efforts to end Lebanon's 14-year civil war.

Page 2

Bomb on Saudi airliner

Explosives were found on a Saudi airliner which made an emergency landing in Karachi after receiving a bomb warning. Two Pakistani passengers were found with a detonator and arrested. The jet, with 343 people on board, was flying from Islamabad to Riyadh.

Thatcher no 'lame duck'

Mrs Thatcher told US television viewers she was no 'lame duck' Prime Minister.

Page 23

Father jailed for life

David Hammond, 26, was sentenced to life imprisonment at Bristol Crown Court for murdering his five-year-old daughter, Sukina. He beat her to death because she would not spell her name.

Clarke move on dispute

Health Secretary Kenneth Clarke agreed to a new ambulance pay negotiating body to run parallel with the existing Whitley Council. Mr Clarke said he accepted the move because the council exceeded the Association of Professional Ambulance Personnel.

Page 4

Trawler capsizes

Two men died when a trawler capsized and sank within minutes of Cornwall. Two others were rescued by another fishing boat.

Branson balloon delayed

Bad weather again foiled businessman Richard Branson's attempt to fly the Pacific in a hot air balloon. Lift-off from southern Japan was aborted because of high winds.

Danish airport chaos

Thousands of travellers were stranded at Copenhagen's Kastrup airport when a walk-out by airport staff grounded flights.

Hunt for drug dealer

Colombian forces searched dense jungle with boats and helicopters in their quest for Pablo Escobar, an alleged drug cartel leader. Escobar had escaped when one of his mansions was stormed by police.

Star tender

Eighteen companies have bid for the right to remove the 1.6 tonne steel red star from the top of Hungary's parliament building. Three bidders have even offered to pay for the privilege.

FT pudding alert

The National Trust warned that as many as 35,000 Christmas puddings on sale at its shops could be mouldy. The Trust withdrew all puddings from its 200 outlets in high streets and country houses.

Nestlé said it was recalling some batches of Slender and Build-up powdered drinks after salmonella was found in one sachet.

FT price rise

The price of the Financial Times will rise to 50p on Monday.

MARKETS

STERLING New York lunchtime: \$1.5625 London: \$1.5625 (1.5625) DM2.62 (2.6375) FF9.625 (9.665) SF2.5225 (2.525) Y224.25 (225.25) S index 96.7 (87.0)	DOLLAR New York lunchtime: DM1.8055 FF6.1585 SF1.6145 London: DM1.805 (1.816) FF6.16 (6.187) SF1.615 (1.618) Y143.45 (144.25) S index 96.3 (99.6) Tokyo close: Y143.80	STOCK INDICES FT-SE 100: 2,222.4 (+1.9) FT Ordinary: 1,754.9 (+0.8) FT-A All-Share: 1,114.00 (+0.1%) New York lunchtime: DJ Ind. Av. 2,877.28 (+20.48) S&P Comp 344.01 (+2.10) Tokyo Nikkei 16,484.47 (+197.56)
US LUNCHTIME Fed Funds 8 1/4 % 3-mo Treasury Bill: 7.75 % 100 1/2 yield: 7.87 %	RATES	LONDON MONEY 3-month interbank: closing 15 3/4 % (15 1/2 %) Dec 91 3/4 (91 3/4)

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

BUSINESS SUMMARY

Coats cleared to renew bid for Tootal

Coats Viyella received clearance from the European Commission for its bid for Tootal, its fellow UK textile group. Coats is finalising plans for a new bid, expected to be significantly lower than the original \$385m offer in May.

The decision was based on proposals for a common mergers policy yet to be adopted formally. Page 8

UK ECONOMIC activity

appears to be continuing its steady decline from the peak of August 1988, according to cyclical indicators from the Central Statistical Office.

Page 3

BRITISH-AMERICAN Tobacco

cigarette-making subsidiary of BAT Industries, is to close its factories in Liverpool and Amsterdam and transfer to Southampton and Brussels. Some 476 jobs will be lost in Liverpool. Page 4

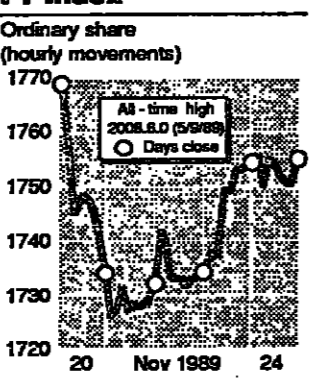
BARCLAYS bank

agreed to sell its US consumer lending and instalment credit subsidiary for \$150m (\$90m) to Primerica, a financial services and retailing company. Page 8; Lex, Page 23

UK EQUITIES:

Any recovery in confidence in the outlook for share prices was stemmed by continued uneasiness in sterling. The week's nervous

FT Index



trading ground to a close with the FT Ordinary index adding 0.8 to 1,754.9, a fall of 14.4 over the week. Page 17

NIKKI average

rose to a third consecutive record, the Tokyo share index adding 197.56 to 38,464.47. Page 13

CL-ALEXANDERS Laing

and Cruickshank became the latest London securities house to pull out of market-making in UK equities, with the loss of up to 30 jobs. Page 4

JAPAN pledged

financial support for Poland including \$150m (\$80m) in low-interest loans to a \$1bn international fund being established by Western countries. Page 3

FRENCH insurance company

Gruppe Victoire, taken over this summer by the Suez financial conglomerate, is continuing its rush to create a giant European insurance network with talks on a partnership with Danish insurer Baltica Holding. Page 10

ROBERT MAXWELL, UK

publisher, branched out this week with a \$250m (\$160m) bid for a 50 per cent stake in Clal, Israel's second-biggest conglomerate. Page 10

NIPPON Life Insurance of Japan

is expected to pay Credit Lyonnais bank FF4,900m (\$44m) for a one-third stake in the Forum des Halles shopping centre in Paris.

MONOTYPE Corporation, UK

manufacturer of typesetting and pre-press equipment, agreed to be bought for \$32m by US investment group King, Black & Associates. Page 8

VSEL Consortium, defence contractor

which makes Britain's Trident-carrying submarines, more than doubled interim pre-tax profits to £12.1m. Page 8

SIR RON BRIERLEY, New Zealand entrepreneur,

is to return to stamp dealing in his retirement by buying, in a personal capacity, a 37.5 per cent stake in the Australian arm of UK stamp group Stanley Gibbons. Page 10



Egon Krenz: free elections unlikely before end of 1990

Krenz declares socialist loyalty

By Leslie Collit, David Marsh and Geoffrey Owen in East Berlin

FULL INTERVIEW

Page 6

MR EGON KRENZ, the East German leader, yesterday declared his country's unwavering allegiance to Socialism and firmly warned West Germany against hopes of a complete dismantling of the Berlin Wall.

In a wide-ranging interview with the Financial Times, Mr Krenz said that his country's planned free elections were unlikely to take place before the end of 1990, the first time the East German leader has mentioned a date for western-style polls.

Although he spoke of East Germany "learning" from capitalism "in spite of all its imperfections," Mr Krenz attacked West Germany attacks to force East Germany into market-oriented reforms in exchange for aid. He proclaimed: "I cannot imagine East Germany as a capitalist country."

Mr Krenz also hit out at suggestions that he would soon be forced to relinquish power. In charge since the middle of last month, after the forced resignation of Mr Erich Honecker, Mr Krenz said: "I have not taken office in order to step down." He said he was confident of staying on after the party's special congress in mid-December.

But he admitted that, as a

Continued on Page 22

- Signs of Moscow support for opposition
- More mass demonstrations in Prague

Czech Communist Party leaders quit as Dubcek returns

By John Lloyd in Prague

THE WAVE of reform sweeping through Eastern Europe reached hard-line Czechoslovakia last night when the entire Communist Party leadership resigned.

Later in the evening, television programmes were interrupted with a brief announcement that Mr Karel Urbánek, a member of the reformist group in the Central Committee close to the Prime Minister, Mr Ladislav Adamec, had been elected as the new General Secretary.

The resignations appeared to leave the Czechoslovakian reform movement, which has been campaigning for political freedom, on the verge of a stunning victory.

The mass resignations came at the end of an extraordinary week which has seen daily demonstrations in Prague of more than 250,000 culminating yesterday in Mr Alexander Dubček, the former Czechoslovak leader, making a triumphant return to the capital 21 years after his "Prague Spring" of reform was crushed by Soviet tanks.

The resignations were announced following a full-day emergency meeting of the Czech Communist Party central committee called in response to the growing tide of protests throughout the country.

At 7pm the CTJ, the official news agency, announced that Mr Milos Jakes, the Communist Party General Secretary, had offered his resignation and that of the entire secretariat, or top leadership, to the party's Central Committee.

Discussions on the new leadership were continuing late into the evening but it was not clear what form this new leadership would take. CTJ said the leadership offered their resignations at the Central Committee meeting to allow election of a new leadership.

The news agency said the 150-member Central Committee was debating personnel changes and a new party leadership would be elected by secret ballot.

It added: "Mr Jakes said he hoped the changes would contribute to a more resolute implementation of the process of restructuring and democratisation."

The resignation of the Communist government in Czechoslovakia follows the fall of regimes in Poland, Hungary and East Germany over the past six months.



Demonstrators in Prague carrying Dubcek banners

EASTERN EUROPE

- Vast crowds fight new fire
- Polish PFI talks with Gorbachev

Page 2

dom, told a crowd of between 300,000 and 400,000: "Let us act as if we were in the light. We must unite in one current, and raise our country to a new level of freedom."

Speaking after him on the balcony of the headquarters of the Socialist paper Svobodne Slovo (Free Word) was Mr Vaclav Havel, the playwright and moral leader of the newly-formed Civic Forum opposition movement. Mr Havel said that any dialogue between the movement and the Communist Party - offered on Thursday by Mr Ladislav Adamec, the Prime Minister - must include discussions on the abolition of the party's leading role.

Third in a richly symbolic trinity was Cardinal Tomasek, whose age (90) prevented him from being present in the flesh but who sent a letter of protest against television distortion of his recent meeting with Mr Miroslav Stepan, the Prague Party chief - a letter which ended "The Church remains with the nation in its fight for democracy."

These speeches were made as the Central Committee met in all-day session, having moved out of their old building in the city centre, uncomfortably close to Wenceslas Square, to the relative security of their political academy hall way to the airport.

Majority opinion in Prague yesterday was that at least Mr Jakes and Mr Stepan would go - with Mr Adamec taking the supreme party position. The Communist Party committee in the town of Karlovy Vary called for the resignation of the entire leadership at a meeting last night.

This opinion was bolstered by further unmistakable signs that the Soviet Union was not just withdrawing support from Mr Jakes, but throwing it behind the opposition. A senior opposition source with good Communist contacts said that Mr Adamec had sent details of a reformist programme to Mr Mikhail Gorbachev, the Soviet leader, on Thursday - and that the programme had been approved.

An article in yesterday's Pravda, the main organ of the Soviet Communist Party, Continued on Page 22

Weekend FT



WATER: HOW TO BUY IT

A three-page guide to the Government's water sale. An assessment of all 10 water companies, advice on different investment strategies, including the possibilities of avoiding tax with a FEP, and an account of the personalities, the battles and political compromises behind the flotation.

Pages IX-XI

DRUGS

Christian Tyler thinks the unthinkable, after a visit to Amsterdam, and considers whether the case for the legalisation of hard drugs is proven

Page 1



JAPAN

How To Spend it goes to Tokyo, sampling Japanese food and rice wine; looking at the latest in minor Japanese motoring miracles; and explaining why you should be interested in the Tokyo Stock Market

SKIING

A full page of skiing

Page XIII

BOOKS

Our reviewers choose the books published this year that they have most enjoyed

Pages XVIII-XIX

Pound falls on political doubts and unease over the economy

By Patrick Harverson, Economics Staff

POLITICAL uncertainty and disquiet about the British economy led to another fall in sterling on the foreign exchanges yesterday.

The pound ended a difficult week 7 pence lower against a D-Mark buoyed by developments in East Germany.

Selling of the pound was particularly heavy on overseas markets as foreign investors have been unsettled by news of the challenge to Mrs Thatcher from within her own party. Much of the damage to sterling yesterday was inflicted in the Far East, and the early losses forced the Bank of England to intervene to support the currency during the morning.

The pound fell in spite of an unexpected improvement in the trade deficit reported on Thursday, which failed to allay the market's fears about the outlook for the economy.

The steady fall in sterling this week has revived fears among some analysts that bank base rates may have to go even higher to defend the currency.

The foreign exchange markets, however, were betting yesterday that base rates would stay at 15 per cent. Dealers believe the Chancellor would let the pound fall some way further before ordering a rate rise that would put an already weakened Government under further political pressure.

Sterling's weakness again reflecting the strength of the D-Mark. Currency markets believe the Bundesbank may have to tighten monetary policy to counteract the inflationary effects of thousands of migrants from East Germany increasing domestic demand. The first opportunity to raise rates will come on Thursday, when the Bundesbank council meets in Frankfurt.

The D-Mark has also gained from expectations that the West German economy will grow faster next year because of the injection of East German labour, and the increase in trade that will accompany the opening of East European markets.

The rise in the D-Mark has placed a strain on currencies in the European Monetary System.

The French franc has fallen close to the level where intervention is necessary to prevent it from crashing through its permitted floor in the EMS band. This has led to speculation that the D-Mark will be revalued to restore some stability to the system.

The political upheavals in Europe and the fluctuations in financial markets have given a boost to gold in recent weeks. On the London bullion market yesterday the price of gold closed at \$416.25 a Troy ounce, its highest level for 21 months.

In London the pound closed 1.75 pence lower at DM2.82, but slightly higher against a weak dollar at \$1.5625. On the Bank of England's sterling weighted index (1985=100) the pound closed down 0.3 at 83.7, to show a loss of 1.4 points over the week.

Gold markets, Page 4; Editorial comment, Page 6; Current markets, Page 11; World stock markets, Page 13; London stock market, Page 15; Markets, Weekend FT, Page 11

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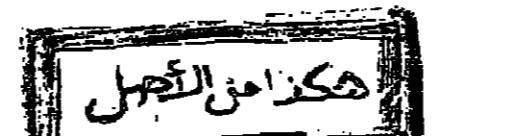
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OVERSEAS NEWS

Thatcher asks Bush for caution on east Europe

By Peter Riddell, US Editor, in Washington

MRS Margaret Thatcher yesterday sought to enlist President George Bush's support for her cautious view of the correct western European response to the changes in the Soviet Union and elsewhere in eastern Europe. As she was meeting Mr Bush for four hours of talks at his Camp David retreat in Maryland...

Polish PM talks with Gorbachev at Kremlin

By Christopher Bobinski in Moscow

MR TADEUSZ Mazowiecki, Poland's Prime Minister, the first non-communist eastern European leader to enter the Kremlin for more than 40 years, yesterday met President Mikhail Gorbachev. The meeting, as well as talks earlier in the day with Mr Nikolai Ryzhkov, the Soviet Prime Minister, signified Soviet acceptance of Poland's political evolution from Communist rule in the past six months.



An exultant Alexander Dubcek waves to the Wenceslas Square crowds

Vast crowds light new fire in Dubcek and Havel

By John Lloyd in Prague

THE BIGGEST, and perhaps the decisive, demonstration in a week of massive popular manifestations in Prague brought together yesterday on the balcony of the Svatobna Slovo (Free Word) newspaper two men who bracketed the Czechoslovak opposition movement. Mr Alexander Dubcek led the Communist Party down a road of radical reform in 1988 - a road blocked in September that year by Soviet tanks and Warsaw Pact soldiers.

Against that, however, is the undoubted fact that his stature both in Czechoslovakia and internationally has grown in recent years, as he has been allowed occasional interviews with foreign newspapers and television (including Hungarian state television) and as he has sought to identify his own Prague Spring with President Mikhail Gorbachev's glasnost and perestroika.

Now, expanded with other streams of the opposition movement into the Civic Forum, Mr Havel is best placed to articulate the suppressed longing for freedom and the contempt for rulers which, it now seems, most of the nation now wishes to express.

He, too, briefly referred to his pedigree when he reminded the crowd in Wenceslas Square last night that the Charter 77 movement had called for a dialogue with the government for the past 13 years.

EC ministers settle merger differences

By Lucy Kellaway in Brussels

THE FINAL draft of a European law on cross-border mergers is likely to be agreed by member countries by the end of the year, following progress made by the 12 industry ministers to settle their remaining differences. The directive, under discussion for 16 years, would create a "one-stop" system for vetting big mergers, with Brussels looking at deals with a combined turnover of over Ecu5bn (E2.6bn), and national authorities in charge of smaller ones.

Commission to probe satellite industry

The European Commission has decided to investigate the possibility that illegal state aid is being provided to companies in the European satellite broadcasting industry, Tim Dickson reports from Brussels. Scores of state aid investigations are carried out by the Commission's competition policy experts each year but only a few - such as the Renault case in France and the row over debt write-offs to the Fininvest steel company in Italy - attract a high political profile.

Iran/Contra case thrown out

A US judge yesterday threw out one of the criminal cases in the Iran-Contra affair, AP reports from Washington. Judge Claude Hilton dismissed the cover-up case against Mr Joseph Fernandez, former CIA station chief in Costa Rica, saying an affidavit from Mr Dick Thornburgh, US Attorney General, barring disclosure of certain classified information made it impossible to give Mr Fernandez a fair trial.

Ireland sets up Debt Office

The Irish government is to set up a special National Debt Office within the Ministry of Finance to help coordinate and manage the country's E22.5bn (E23bn) debt, Kieran Cooke reports from Dublin. Mr Charles Haughey, the Irish Prime Minister, said the new office would be staffed by personnel experienced in debt management and operate "in accordance with the best modern practice in portfolio management".

Surinam peace meeting

For the first time since a guerrilla war erupted three years ago, Mr Desi Bouterse, Surinam's army commander, and Mr Ronnie Brunswijk, the rebels' leader, have met to negotiate peace, AP reports from Paramaribo. The privately-owned newspaper De Ware Tyd, citing military sources, said both leaders agreed peace was necessary because of the suffering and economic hardships caused by the conflict, which has killed an estimated 200 people, including civilians.

Dynamite found on Saudi airliner

Explosives have been discovered aboard a Saudi Arabian airliner after it made an emergency landing in Karachi, Reuters reports. The airliner was en route from Islamabad to Riyadh when authorities in the Pakistani capital received a telephone call warning of bombs aboard and ordered it to land at the southern port on Thursday night, they said.

Italy's Communists plan new party of left

By John Wyles in Rome

AFTER a week of open and sometimes bitter public debate, the central committee of the Italian Communist Party yesterday agreed to jettison its residual communist wrappings, including the party's name, and to launch a new party of the left during next year's elections.

Mr Occhetto still has to carry his proposal through a special party congress early next year but his chances look excellent after having secured a 219-73 vote in his favour, with 34 abstentions, yesterday. His opponents include the small hard-line neo-stalinist rump led by Mr Arnaldo Costantini and the reformist-left led by Mr Pietro Ingrao, whose objectives after having abandoned an intellectual tradition based on Marxist concepts together with the party's name and hammer and sickle symbol.



Occhetto: courageous

rejection of Communist parties across Eastern Europe convinced him that "Italian communists cannot indefinitely go on proclaiming their difference in the world, inside a proud isolation," as he told the central committee on Monday. The party commands about 27 per cent of the popular vote but has been in steady electoral decline since 1963.

Ceausescu stands by socialism

By Judy Dempsey in Vienna

THE hard-line Romanian president and Communist Party leader, Mr Nicolae Ceausescu, has vowed to remain faithful to revolutionary socialism, even as Bucharest's last remaining European allies fight for their political survival in Czechoslovakia. During his closing speech yesterday to the Romanian party congress, at which he was unanimously re-elected leader, Mr Ceausescu turned his back on the reforms sweeping eastern Europe and, in a defiant speech, declared "the country under the leadership of the party determined to continue down the revolutionary path we have taken to assure the independence and sovereignty of Romania."

Lebanon elects Hrawi as new president

By Lara Marlowe in Beirut

LEBANESE MPs elected Mr Elias Hrawi as the country's new president yesterday, quickly filling the gap left by the assassination of Mr René Moawad in an effort to keep alive an Arab League peace plan. Mr Hrawi, a 59-year-old Maronite MP and businessman from the Christian town of Zahlé in the Bekaa valley, is Lebanon's 10th president. Mr Moawad was killed by a bomb in west Beirut on Wednesday. The new man received the overwhelming majority of the votes cast at the Park Hotel in Chitara, near Lebanon's eastern border with Syria. He immediately designated Dr Selim al-Hoss - the choice of his murdered predecessor... as prime minister.

An island factory that symbolised French industry

William Dawkins looks at Renault's doomed Billancourt plant, to be closed after 91 years

WEARY resignation was on the faces of Renault workers yesterday emerging from the shadows of their doomed factory at Billancourt, just outside Paris, inside the Paris Region. A small group of Algerians, clad in grimy blue overalls, chatted quietly as they played pool in one of the bars dotted around the little market square behind the factory. Their calmness is remarkable in view of the fact that they had heard, only a day earlier, that the "Regie" was to phase out production at its archaic and badly situated assembly plant there, the main part of the huge Billancourt complex, with the loss of just over 4,000 jobs by early 1993.

which usually publish their capital net of accumulated losses. It will simply make the balance sheet clearer and have no direct impact on Renault's borrowings or profits, said an official. In detail, the new net capital figure is reached by writing off the FF22.3 billion losses against FF16.5bn of shareholders' funds plus FF7.3bn of 1988 profits and FF12bn of state capital injection, a total of FF36.1bn. While the FF12bn capital injection is being challenged by the European Commission as an infringement of EC state aid rules, that row has no direct link with the balance sheet change. If the FF12bn had to be repaid, however, Renault's capital position would clearly become negative.

France to sign an accord with officially accepted workers' delegates, which might have attracted the future Chinese leader, Deng Xiaoping, to work there for two months in 1985. During the last war, the factory was used for repairing weapons. When it was closed, which cost Louis Renault his life. Arrested and accused of collaboration in 1944, he died in prison a year later, following which the group was nationalised by General de Gaulle. Later, de Gaulle said of the plant: "When Billancourt coughs, France catches a cold." What would he have said today?

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OVERSEAS NEWS

Further intimidation and deaths mar Indian election

By K K Sharma in New Delhi

AT LEAST 15 more people were killed in the second day of polling yesterday in India's general election...

opposition Janata Dal. As on Wednesday, complaints of election rigging were made in Uttar Pradesh and Bihar...

lenged by Mr Rajmohan Gandhi, a grandson of Mahatma Gandhi and a nominee of the Janata Dal.

Japanese offer \$150m for Polish aid fund

By Stefan Wagstyl in Tokyo

JAPAN yesterday pledged financial support for Poland including \$150m in low-interest loans to a \$1bn international fund being established by Western countries.

Shamir sticks to peace plan

By Eric Silver in Jerusalem

THE Israeli Prime Minister, Mr Yitzhak Shamir, returned home yesterday after a critical reception he received during a ten-day tour of the US, France and Italy.

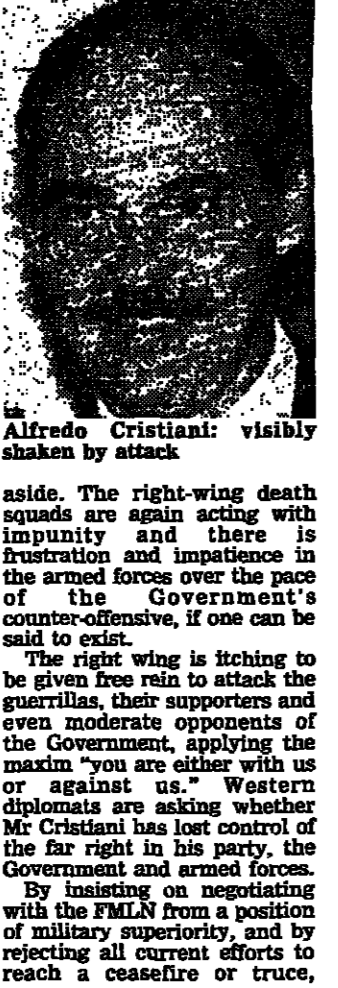
that both President George Bush and Mr James Baker, US Secretary of State, had ultimately agreed to a continuation of the same policy of close friendship and close co-operation.

needed to push it forward. "We still think that there are many chances for implementing our peace initiative and making it a reality."

Salvador's embattled president puts his faith in the military

The Arena government is being squeezed between left-wing guerrillas and right-wing death squads, reports Tim Coone

PRESIDENT Alfredo Cristiani of El Salvador was able to put a brave face on his current political and military crisis until he held a news conference last weekend.



Alfredo Cristiani: visibly shaken by attack. The right-wing death squads are again acting with impunity and there is frustration and impatience in the armed forces over the pace of the Government's counter-offensive.

Toyota ASEAN import deal

By Robert Thomson in Tokyo

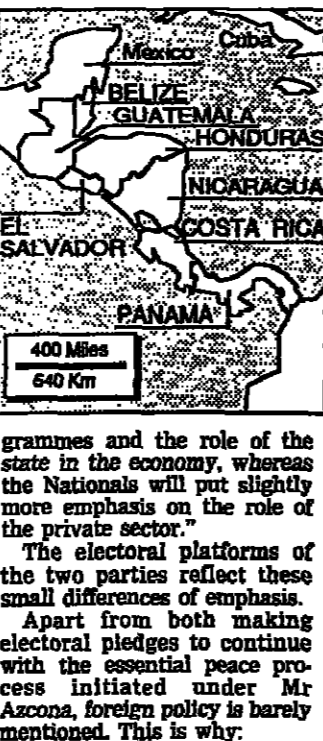
TOYOTA, the Japanese automaker, is to import engine cylinder blocks from Indonesia to be used in commercial vans to be made in Japan.

Battle for the Honduran hot seat

Tim Coone reports on tomorrow's presidential elections

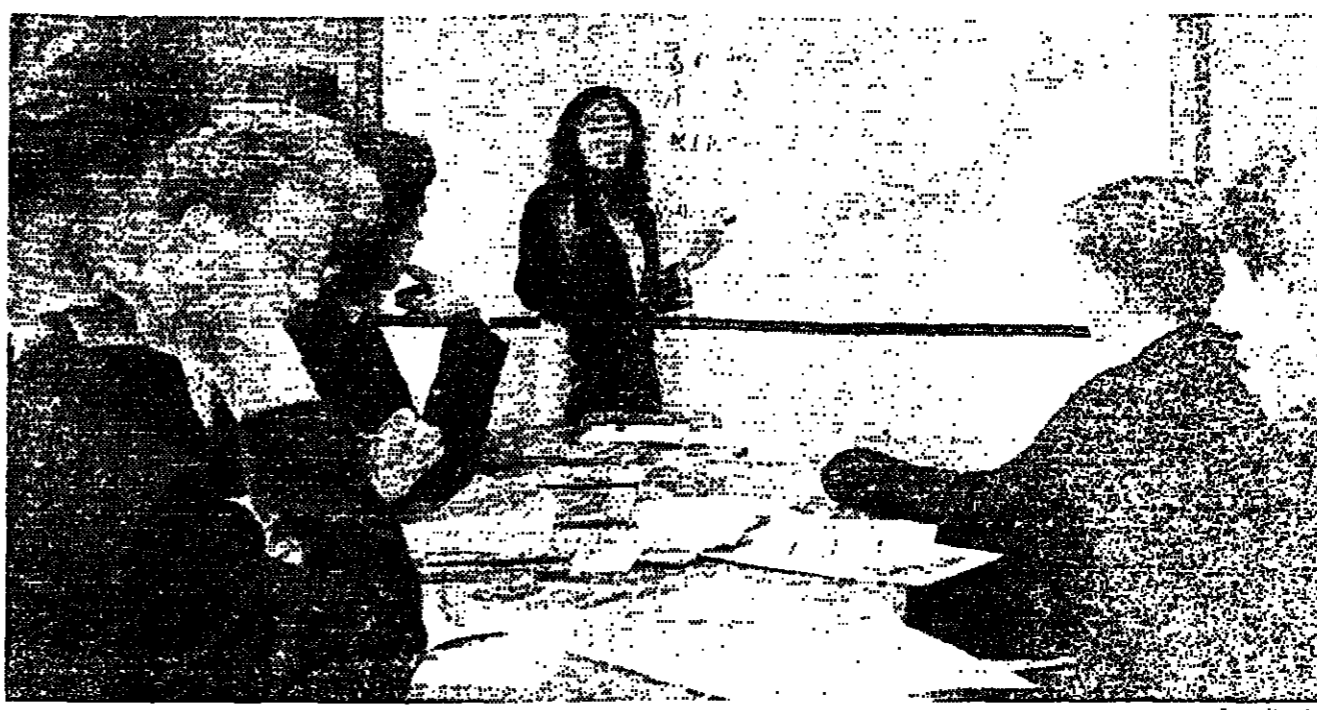
WHICHEVER of the two principal candidates succeeds in the presidential and congressional elections in Honduras this Sunday, he will face big foreign policy changes, even before he takes office on January 27.

Also, Nicaragua may now decide to attack the contra's Honduran base camps directly. What's more, a crisis is brewing in neighbouring El Salvador, following the launch of a national offensive by left-wing guerrillas a fortnight ago.



The Honduran public is sick of the contra issue. This manifested itself recently in a wave of anti-Americanism. Indeed, the pre-eminence of the contra issue, and the neglect of the economy, growing poverty and class conflict in recent years - have made the latter matters the main political issues for the Honduran public.

UK NEWS



Mrs Chizu Nakajima: bringing the world of Japanese studies to sixth formers at Westminster School, London

Pupils discover lure of the East

David Thomas on growing interest in breaking stereotypes of Japan

KRITSU says Perry, as Mrs Chizu Nakajima walks into the classroom at Westminster, one of Britain's leading public schools, and the seven pupils daily stand up.

Mrs Nakajima recently gave up her stockbroking job in order to have a baby; she had been with Cazenove, selling UK equities to Japanese institutions.

Language Association in January found 27 UK schools teaching the language - 19 state schools and eight independent.

also a qualification in teaching. Mr Gerald Groffman, Marlborough's head of oriental studies, has called a meeting - which he hopes will be attended by a dozen schools to discuss plans for a "schools Japanese project."

Pressure for EC monetary union talks resisted

By Ivor Owen, Parliamentary Correspondent

BRITAIN will resist pressure by other members of the European Community for an early conference on speeding progress towards economic and monetary union.

Judge defers decision on jail for journalist in contempt case

By Raymond Hughes, Law Courts Correspondent

A HIGH COURT judge yesterday deferred his decision whether to jail a journalist for disobeying a court order to surrender notes that could identify the person who gave him confidential information about a company's business plan.

Hinkley inspector rejects withdrawal plea

By David Green

MR Michael Barnes, QC, the inspector hearing the Hinkley Point C nuclear power station inquiry, yesterday rejected the board's plea to withdraw its application to withdraw its application to proceed as a matter for the board.

Cyclical indicators show economic decline

By Patrick Harverson, Economics Staff

CYCLICAL indicators published yesterday by the Central Statistical Office provide a pessimistic picture of UK economic activity.

UK NEWS

Trading blows over Sunday shopping law

IT WILL be business as usual tomorrow as the many shops in England and Wales that ignore the Sunday trading regulations by opening...

It would have been hard to imagine, before Thursday's ruling on the subject by the European Court in Luxembourg, how the middle over Sunday shopping could have been made worse.

Yet that ruling managed to intensify the battle over the whole, emotive issue of whether people should be allowed to shop on Sunday.

The argument centres on the Shops Act 1950, which governs shops opening hours and what they can sell.

The law is widely ignored and patchily enforced. If a shop is prosecuted it can be fined a maximum of £1,000 for each Sunday.

Anomalies are rife. Hamley's, the toy shop in Regent Street, London, has been threatened by Westminster Council with an injunction.

Mr Alan Chesterfield, general manager of Hamley's, says that, having worked in his office last Sunday, when the

Maggie Urry assesses the impact of the European Court ruling on shops' opening hours

shop was closed, he emerged to see tourists five or six deep gazing through the windows.

Mr Chesterfield hates to think of the business he is losing by not being able to open.

Hamley's is seeking permission for the shop to be designated a tourist area so that - under the Shops Act - it could open for 18 Sundays a year.

The European Court had been asked to decide whether the Shops Act breached Article 30 of the Treaty of Rome, which laid the foundations of the European Community.

Article 30 prohibits laws which constitute a restraint on trade in the EC. B&Q raised the idea that the Shops Act might restrain trade in its defence to a prosecution by Torfaen Borough Council, in South Wales, after B&Q opened its Cwmbran shop on a Sunday.



Sunday trading has led to raised voices and blood pressures

This week's ruling put the question firmly back in the magistrates' court.

It said the Shops Act did not constitute a breach of the treaty unless the effect of the ban proved more restrictive than was necessary to achieve the economic and social policy underlying the law.

On the other side is an alliance of interests, including religious groups, Usdaw - the union representing shopworkers - and shops ranging from Marks and Spencer to the thousands of small, independent retailers that do not want to open on Sunday.

"They argue that shops which want to open on Sunday are trying to exploit their workers and are motivated by 'plain greed'. These shops, the anti lobby argues, want to steal trade from competitors that do not open.

Those in favour believe that people who want to shop on Sundays should be allowed; many enjoy doing so and no

one is forced to. "Why should they be denied the fundamental human right to spend money?" argues one. Shopkeepers who do open on Sunday say that none of their workers are forced to come in and that many welcome the extra earnings.

Those against want to keep Sunday Special, as the leading anti-lobby group calls itself. People living near large do-it-yourself shops - one of the main groups to continue to open in spite of the law - complain of noise, too many cars and litter.

Mr Sean Galvin, of Usdaw, says: "Do people want to live in a world that does not slow down for one day? He believes that if some shops open then others will be forced to follow suit and sales staff will have to work on Sundays."

While one side is continuing to press for reform of the Shops Act, the other will now be calling for greater enforcement of the law.

Bae offers reduction in working week to strikers

By John Gapper, Labour Editor

BRITISH AEROSPACE yesterday fell into line with two other engineering companies hit by an industrial action campaign for a 35-hour working week by offering to reduce the working week of striking manual workers at three plants to 37 hours.

The offer was made on condition that strikers at its Preston, Chester and Kingston-upon-Thames plants returned to work for detailed negotiations on a staged reduction that would lead to a 37-hour week by December 1992.

The offer was welcomed by leaders of the Confederation of Shipbuilding and Engineering Unions, which is co-ordinating the industrial action campaign. It has now spread to five plants, including the three owned by BAE.

But Mr Gavin Laid, general secretary of the Amalgamated Engineering Union, told the company the strike could not be called off before an agreement was reached. Leaders of the CSEU will discuss the offer further on Monday.

The BAE offer is a further boost to the campaign, which started four weeks ago. A 37-hour week has been agreed at NPI-Parsons in Newcastle-upon-Tyne to avert a strike, and was offered by Smiths Industries in Cheltenham.

BAE at Chester said the offer did not apply to white-collar staff, who work a 37 1/2 hour week and are nearly all still at work. The manual employees at the three plants work 39 hours a week.

If the BAE offer led to a return to work at its three plants, the incentive for other engineering companies to agree similar hours reductions tied to productivity improvements would be increased.

The BAE offer was made simultaneously by managers at the three plants to union officials. BAE said it had been prompted to make an offer by the declaration of the Engineering Employers' Federation that joint bargaining was at an end.

At Chester, where wings for the European Airbus are made, managers set a deadline of next Wednesday for the offer to be accepted. They warned of escalation to a strike of other BAE plants if the offer was not accepted.

In a letter to union leaders, Mr Sean Dyke, general manager at Chester said the dispute had to be resolved quickly in order to stop an rapid increase in the number of lay-offs from the current 56 at BAE's plant in Filton, Bristol.

Indefinite strikes by manual workers are taking place at the three BAE plants, a Rolls-Royce plant in Hillingdon, Glasgow and at Smiths Industries. The BAE offer will put pressure on Rolls-Royce to make a similar gesture.

BAE talked of "the equivalent of a 37-hour week" being agreed provided that productivity improvements made it self-financing. It said the counting of hours over a period of two weeks or longer might be possible.

The effects of the dispute were being felt across the country yesterday.

Police were answering emergency calls in Derbyshire after crews were suspended and in Shropshire, Staffordshire, Warwickshire, Hereford and Worcestershire, non-emergency staff were told 25 per cent of their pay would be deducted from Monday if they refused to do non-urgent work.

The director of the Scottish Ambulance Service has said that from 7am on Monday, all non-urgent staff will have their pay docked for refusing to work normally. The 999 staff, officers and control assistants were excluded from the docking.

New ambulance pay body will give voice to breakaway union

By Fiona Thompson, Labour Staff

MR Kenneth Clarke, Health Secretary, last night announced that the Department of Health is to set up a new ambulance pay negotiating body.

Under the body, management will negotiate with the Association of Professional Ambulance Personnel, the breakaway union formed in 1981 after the 1979/80 health service unions' dispute.

The move is bound to anger the country's 22,500 ambulance workers who have been taking industrial action for 10 weeks now over a rejected 6.5 per cent pay offer.

The new body will run in parallel with the present Whitley Council, which represents the 4,000 members of Mr Clarke's pay body, which Mr Clarke said had never been fully representative of ambulance workers because it excludes APAP.

Mr Clarke said he was setting up the new body because the Whitley Council had not met once throughout the 10 weeks of the pay dispute.

The Department of Health last night refused to say whether any agreement reached with APAP might be imposed on all ambulance staff.

Mr Roger Poole, the chief trade union negotiator, said it was an "incredible diversion" for Mr Clarke to meet an organisation that had no loyalty among Britain's ambulance staff.

He said APAP had fewer than 2,000 members, not the 4,000 claimed by Mr Clarke's pay body, which Mr Clarke said had never been fully representative of ambulance workers.

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OBITUARY

Sir John Reiss: former chairman of Blue Circle

SIR JOHN REISS, former chairman of Blue Circle, Britain's biggest cement manufacturer, and president of Aims of Industry, the business lobby group, has died, aged 80.

Sir John, who was a strong opponent of state ownership, campaigned vigorously against the Labour government's nationalisation programme in the mid 1970s.

He was regarded as a leading supporter of the free market policies now embraced by the prime minister.

He was also a founder member of the Foundation for Business Responsibilities, which subsequently conducted studies into business ethics and the effect of business on the environment.

Sir John joined Associated Portland Cement - later renamed Blue Circle - in 1934, having first worked for the Reiss family cotton business, and then briefly for a US bank and an insurance company.

His first job for Associated was to assist with the delivery of wages, for which he was paid £3 a week.

He was chairman of Blue Circle from 1957 to 1974, during which time the group substantially increased its overseas cement business to become the world's second largest cement producer.

He was described by colleagues as a sensitive, cultured man, who held many liberal views as well as being a dedicated supporter of free market economic policies.

CORRECTION

Nobel prize

In our survey LEP and Big Physics, published on Monday November 13, it was incorrectly stated that Mr Aldo Michelini, a senior Cern physicist, had won a Nobel prize. Mr Michelini has never received such a prize.

BAT closure costs Liverpool 470 jobs

By Ian Hamilton Fazey, Northern Correspondent, and Nikki Tait

BRITISH-AMERICAN Tobacco, the cigarette-making subsidiary of BAT Industries, is to close its factories in Liverpool and Manchester and transfer to Southampton and Brussels.

The rationalisation will be a blow to Merseyside, where 476 jobs will be lost in an area that has 14 per cent unemployment.

Some of the 123 workers employed in Amsterdam will be offered jobs in Brussels.

BAT's move comes in the wake of a £13.5bn bid, now lapsed, from Sir James Goldsmith's Hoylake consortium.

The conglomerate denied yesterday that it was a response to Hoylake's sharp criticism during the bid of BAT's record on its tobacco interests. BAT

said the decision was taken before the bid was launched in July.

BAT also declined to quantify the short-term costs of the closures, but said they would not affect figures for 1989.

The Liverpool factory is not likely to close officially until September 1990, it said.

The decision on the factory - BAT's oldest in Europe and dating from 1916 - is in spite of £20m of investment since 1983.

Difficulties with labour relations have not arisen but production was limited to short runs, making the factory the company's most expensive in Europe.

"The site and layout are wrong and we would have needed to knock the factory down and start again to make it profitable," an official said yesterday.

Liverpool's capacity of 40n cigarettes a year will be transferred to Southampton - where production will rise from 11bn to 14bn cigarettes a year - and Brussels, which will take the rest.

BAT's spare capacity in the Brussels plant, which employs 370 people, will be taken up by the Amsterdam and Liverpool volume it will get. Production will rise from 5bn to 9bn cigarettes a year.

The Liverpool cigarettes are all export brands for Africa, the Middle East and the Far East.

The company said that while European sales were flat overall, there was still growth in some countries and world-wide sales were growing in several markets.

BAT's West German factories are in Bayreuth and West Berlin, where 2,700 employees produce 30bn cigarettes a year. It closed its Augsburg factory last year.

About 20 jobs will be created in Southampton to add to the 800 already there. The city also houses the company's research and development department.

Some of its London head office technical departments will also be relocated to Southampton during next year.

BAT's plant in Curby, Northamptonshire, will carry on. It employs only 40 people and is highly efficient.

BAT said it will turn over the Liverpool factory to the Merseyside Development Corporation and will consider putting money into converting it for job creation schemes.

Production will stop at the affected factories next spring, with final closure in autumn 1990.

CL-ALC joins growing UK equities exodus

By David Waller

CR-ALC's investment in BAT yesterday became the latest London securities house to pull out of market-making in UK equities, with the loss of up to 20 jobs.

The move follows ANZ McCaughan's decision last week to close its UK equity operations, shedding 150 jobs.

Also last week was the Canadian Imperial Bank of Commerce's closure of its stock-brokerage operations with the loss of up to 65 jobs.

CL-ALC, acquired 18 months ago by Credit Lyonnais, the large French bank, will still employ about 500 people in London.

The company said it remained committed to being a securities house, concentrating on European equities business, agency operations for UK shares, and corporate finance.

CL-ALC's move is the latest response from the London securities industry to severe overcapacity in the UK equity market.

Going good for gold as market bucks the trend

David Blackwell analyses the precious metal's rise

GOOD news for the world's gold is generally bad news for gold, as one City analyst put it yesterday.

Yet at a time of relative political and economic stability, the price of gold is rising strongly.

Its performance this week has taken the City by surprise. Gold broke through the \$400 (£256) barrier for a troy ounce on Tuesday and has remained on the upward path.

It also has a lot of potential to go higher, according to Mr Robert Weinberg, head of international mining sales at the James Capel securities house.

He said that worldwide inflation was under control, with currencies and the political situation relatively stable.

"If all this bad news [for gold] cannot depress prices, it's an early warning of a bull market."

Yesterday the London bullion market closed with the price at \$416.25 a troy ounce, the highest level since December 23 last year. That marks a rise of nearly \$60 an ounce since the recent low of \$356.50 an ounce on September 15.

"You have to go back a hell of a long way to find a run off the bottom like that," one trader said yesterday.

Mr Alan Baker, deputy managing director of Sharps Pixley, the London bullion broker, said: "The market has risen a lot further and faster than a lot of people expected. It has broken out of a two-year downward trend and is drawing in a lot of old customers who had been inert. Now it is feeding on itself."

Ms Rhona O'Connell, precious metals analyst with the Shearson Lehman Hutton financial services group, traces the beginning of the run back to the collapse of the financing for the buy-out of United Air Lines, the subsequent Wall Street "crashette" last month, and the resignation of Mr Nigel Lawson as Chancellor.

Those factors provoked a pick-up in gold market vol-



umes, she said yesterday. Since then, it has developed a momentum of its own. Some buyers have been waiting on the sidelines for the market to pull back, but that has not happened.

Ms O'Connell said they were still potential customers in the market. She added that there had been very little speculative buying - "virtually all of it has been from firm-backed investment buyers."

After Black Monday in 1987, gold prices blipped upwards but soon settled back. Mr Baker said that brought "a great deal of disappointment" to the market. However, this time things were different.

"Equities are not looking very promising. There is a lot of money in the hands of institutions, and it does not need a lot of their funds to influence what is a relatively small market in a big way," he said yesterday.

Ms O'Connell said disillusion with gold took many institutional investors out of the market last year. Some Swiss banks are believed to have less than 3 per cent of gold in their gold-bearing portfolio accounts - against a traditional weighting of between 5 and 10 per cent. However, she said she now had no doubt that some European money managers were covering themselves against being underweight on

the amount of gold they are carrying, rather than against short positions.

In addition, the political upheavals in Eastern Europe have prompted managers to diversify away from West German bonds.

Demand in the Far East, where sales of jewellery have been strong this year, is also providing a spur to prices.

The Tokyo market has been routinely adding a couple of dollars to the New York close this week, Mr Baker said. "It's one way all the way out there."

Yesterday gold futures on the Tokyo Commodity Exchange for industry (Tocom) traded a record 104,289 lots, breaking the previous record of 90,467 lots on Wednesday.

One dealer described the buying as "crazy." The Hong Kong market was also hectic.

Predictions as to where the price will go are very widely, although the next target area is the \$420s. Yesterday the so-called "Golden Cross" occurred after the London afternoon "fix" was set at \$415.50 an ounce.

That took the 300-day moving average of the fix above the 50-day moving average, which might trigger further buying next week.

"That will have the computers salivating across the world," said Mr Andrew Smith of UBS Phillips & Drew. He believes that three conditions for a bull market have been fulfilled - financial shock, producers not selling into price rallies, and US interest rates beginning to come down. "If it breaks \$424 an ounce, then it's daylight all the way to \$460," he said yesterday.

Mr Weinberg, of James Capel, added a note of caution. "The difficulty is to prevent ourselves becoming over-enthusiastic." The sentiment was echoed by Mr Nick Moore, of Ord Minnett, the brokerage house, who is sticking to his forecast for an average price next year of \$375 an ounce. Markets review, Page 15

Land Rover concludes deal on pay

LAND ROVER has reached a 10-month pay deal with its 6,000 workers that raises basic wage rates by up to 15 per cent.

The deal includes a 6.9 per cent increase in the pay bill, along with the consolidation of 100 jobs.

Next November, Land Rover workers will start negotiating pay jointly with workers in other parts of the Rover Group.

The deal, which was accepted in a ballot by 1,643, is intended to harmonise Rover's pay rates with a production bonus.

Under the deal, which coincides with the second stage of a two-year pay deal for Rover car workers, Land Rover workers will be paid a £7.50 a week productivity bonus, and a quality bonus of £4 a week.

The company has also bought out a longstanding attendance allowance by giving workers two lump sum payments of £165 and £250, and made the eligible to take part in a Rover profit-sharing bonus scheme.

Meanwhile, production at Ford's Dagenham plant was halted by an unofficial stoppage by 4,000 manual workers.

Lecturers back strike action over pay offer

By David Thomas, Education Correspondent

FURTHER education lecturers in more than 400 colleges have voted for strike action and an exam boycott in their pay and productivity dispute with local authority employers.

However, Natfhe, the college lecturers' union, is due to meet today to consider the employers' plea to suspend further action until after December 11, when the employers have offered to re-open negotiations.

The 55,000 lecturers in further education colleges and students pass through the sector each year.

Natfhe's members in the sector have already held a one-day strike in October.

Mr Geoff Woolf, Natfhe general secretary, said the ballot results demonstrated his members' anger at the employers' offer, which he described as "insulting".

Separately, Natfhe is in the middle of complex pay and productivity negotiations affecting 23,000 lecturers in the polytechnic sector, where the union has already called an exam boycott.

Engineering companies extend incentive schemes

By Our Labour Editor

ABOUT a quarter of south-east engineering companies have introduced performance appraisal schemes for their manual workers, a survey has found.

The results indicate the growth of merit schemes even in traditional industries.

The survey of 202 engineering companies found that most were still operating traditional incentive schemes such as piecework or attendance bonuses, although a fifth were considering innovations because of production changes.

The Engineering Employers' London Association, which carried out the survey, said the proportion of companies that used standard incentive schemes was surprisingly high.

It had expected more to have changed payment structures.

Eighty three of the companies reported having merit or performance appraisal schemes. The proportion did not increase with the size of the company in the way that the association had expected.

Mr Brian Young, association assistant director, said one surprising finding had been that about 17 per cent of companies were still paying attendance bonuses, which grew last decade in the era of pay restraint.

He said companies had given a variety of reasons for considering changes in their traditional incentive schemes. These included: ● A belief that an existing scheme had outlived its usefulness because capital investment in parts of a plant had imbalanced the payments to different groups of manual workers. ● Wanting to change the form of the existing incentive scheme because it was no longer providing effective motivation. ● A need to change payment structures because the introduction of new methods of work organisation such as just-in-time had made them less relevant. ● About 30 per cent of companies using incentive schemes were applying traditional payment by means of systems of piecework, standard times, or measured day work. ● The most common form of scheme was one involving standard time measurements. ● In half of the companies paying incentives, bonus payments represented no more than 10 per cent of total pay. ● About 75 per cent of the companies surveyed recognised incentives as a key factor in motivating staff. ● Incentives Pay for Manual Workers: Engineering Employers' London Association, IEEA House, Station Road, Hook, Basingstoke, Hampshire RG27 9TL; £20.

HAPPY ENDING Long life and happiness - that's what we all say. But there is a price to pay for living longer. Ours is currently £1 Million - to begin a building programme to provide more nursing care and better accommodation for the old and needy. Please help us to ensure that this vital project, too, has a happy ending. We have been looking after the elderly since 1905 and now have eleven residential homes. Here, men and women from professional backgrounds find security and freedom, for the rest of their lives, with nursing care when necessary. Friends of the Elderly also give financial help to all old people who wish to stay in their own homes. Please be a Friend and make a covenant or remember us in your Will. The old should lead happy and dignified lives - they deserve nothing less. Write today with a donation and enquiry to: The General Secretary, Friends of the Elderly (Dept. FT 1.42 Ebury Street, LONDON SW1W 0DL. Registered charity number: 226064 OF THE ELDERLY and Gentlefolk's help

"Where do I check in?"
 "I've left my ticket in the taxi."
 "Which gate is my flight?"
 "My luggage has gone through and I need something from it."
 "My car's outside on double yellow lines."
 "I think that's my plane taking off."
 "My canary's escaped."
 "Can I get a coffee around here?"
 "I can't do my zip up."
 "Can I get into New York by helicopter?"
 "What time do we get there?"
 "Just how wide are the seats?"
 "Do they have nappies on board?"
 "Where do I get a newspaper?"
 "Do they sell Russian vodka in duty free?"
 "Where's the Ladies?"
 "Where's the Gents?"
 "Where have all the trolleys gone?"
 "Is the Pink Poodle Club on 48th Street or 49th?"
 "Do we get to see where the pilot sits?"
 "What happens if it's full?"
 "Where can I get an oil filter for a 1965 Hillman Imp in Chicago?"
 "Do they take traveller's cheques in duty free?"
 "Where's the London desk?"
 "What do I do with this?"
 "Can I go through to the Departure Lounge now?"
 "Where is the Departure Lounge?"
 "They've put the wrong name on my ticket."
 "Can I get a bassinet for my baby?"
 "I'm looking for some string."

"Does my camera have to be X-rayed?"
 "I've just noticed my passport's out of date."
 "I need an aspirin."
 "Kann ich am J.F.K. Flughafen direkt zum Flug nach Chicago umsteigen?"
 "Where's the Ambassador Lounge?"
 "Do I need a Visa?"
 "Can I take these as hand-luggage?"
 "Can I change to a later flight?"
 "What do I do now?"
 "I have to phone my wife."
 "Is there a phone anywhere?"
 "Είναι ο Πήτερ Αιζντελ-Κάρπεντερ εκεί;"
 "Anybody got a pen?"
 "What time is it?"
 "Is New York ahead or behind?"
 "Can I hire a car there, from here?"
 "Is it sunny in Los Angeles?"
 "Will my hair dryer work in Minnesota?"
 "I can't find a porter."
 "My aunty's gone missing."
 "Will they have any dominos on board?"
 "Are there any seats in non-smoking?"
 "What's for dinner in First?"
 "What film are they showing?"
 "Is there a nice restaurant in Toledo?"
 "How do I get into town from JFK?"
 "My case is too heavy."
 "How far is Philadelphia?"
 "Is it on time?"
 "Can I change this non-changeable ticket?"
 "Can I choose my seat after I get on board?"
 "I'd rather sit at the back of the plane."

"Can I order a special meal?"
 "I can't find my boarding card."
 "What star sign is the pilot?"
 "I need to send a fax."
 "Is there a wheelchair somewhere?"
 "Is there a lift?"
 "Do I have to be X-rayed?"
 "Please, somebody."
 "Which way now?"
 "My seat's supposed to be reserved."
 "Will they wait for me?"
 "Can I change my money here?"
 "What's going on?"
 "How many bags am I allowed?"
 "What's the code for Dayton, Ohio?"
 "Is it too late to order a kosher meal?"
 "What escalator?"
 "Can I leave my rented car keys with someone?"
 "Maybe someone will change seats with me?"
 "Will we all be able to sit together?"
 "Can my son sit in the cockpit?"
 "Is it too late to change my flight?"
 "Is it too early for the bar?"
 "Will there be any film stars in First Class?"
 "Who won last night's ball game?"
 "I didn't hear that."
 "Is it are not my wife's ticket here to pick up. ¿Qué?"
 "How do I make my connection in New York?"
 "Help!"



TWA give you someone to buttonhole.

We've been listening to some of the questions that get asked at the airport. (See above.) And having listened, we've come up with an answer. In fact, a whole host of answers. The TWA 'White Coats'.

A team of young men and women whose job it is to be on hand at our Heathrow and JFK terminals looking for problems. Your problems. (See above.) So now if you find yourself waiting for one of

our 6 daily flights to the USA, and your passport disappears, or your mother-in-law needs some elastic in a hurry, you know who to turn to. The person in the white jacket. With the red carnation in the buttonhole.

TWA

For the best of America

The case for overkill

AS THE NEW tenant of the embattled fortress on Great George Street, Mr John Major has given the signs of being a man who wishes to feel his way into the new job. This is perfectly understandable, yet it may prove a disastrous mistake. If Mr Major is to act effectively, he has to act soon.

The Chancellor has been quite fortunate during his brief tenure. The trade figures, in particular, were not as bad as feared by many, even though this merely shows what the UK has become used to. Some features of the balance of payments are even encouraging.

The volume of non-fuel exports, excluding the so-called erratic items, is up 10 per cent over the year and 3 per cent over the latest quarter. Encouragingly, imports were up by less - by 8 per cent and 1½ per cent over the two periods respectively. If this export performance can be maintained (or, better still, improved as domestic demand slows down still further) and the growth of imports continues to decelerate, the external position forecast for next year in the autumn Statement - a current account deficit of £15bn - becomes perfectly credible.

The buoyancy of exports is particularly pleasing. It suggests that there has, indeed, been an improvement in the underlying performance of manufacturing industry in the 1980s, the main problem last year being the growth of domestic demand. Despite the dreary whingeing at the CBI conference, many businessmen are doing a good job of expanding exports.

Exports growth

For next year, the Treasury forecasts growth in the volume of exports, less oil, at 6½ per cent, well below the likely rate for 1989. There is no good reason why exports should not do that well. Given the weakness of the pound and the expected buoyancy of the economies of western Europe, they could do better still.

The significance of the current account should not be exaggerated. A country that maintains a strong net overseas asset position (the latest estimate being that net overseas assets were 19 per cent of gross national product, a higher ratio than for either Japan or West Germany, at the end of last year) should be able to attract inward finance on the required scale.

The deficit is a serious problem only to the extent that the cost of financing it is prohibitive from the domestic perspective. For the moment, however, there are sound domestic reasons for maintaining interest rates at their current level.

Given the desire for a degree of exchange stability, the external deficit has provided an opportunity for a more appropriate domestic monetary stance than two years ago.

It is on the domestic, not the international, side that the Chancellor has real worries, all on the side of the economy's not slowing down quickly enough. October seems to have been a relatively good month for lending, but the annualised six-month growth of M0, the former Chancellor's favourite monetary indicator, is 7.9 per cent. Meanwhile, the growth of all the broad money aggregates remains not far short of 20 per cent a year.

Disturbing jump

The preliminary estimates for GDP in the third quarter add to the picture of a fairly strong economy, with output up by 1 per cent over the previous quarter. Meanwhile, last week saw a disturbing jump in retail price inflation, excluding mortgage interest payments, to 6.1 per cent over the year while wage settlements are now between 1 and 3 percentage points higher than a year ago.

Last, but surely not least, sterling is sliding steadily downhill, closing just below DM2.82 yesterday. Sterling has now lost 47 pence in the nine months since the end of January. Over the same period the effective rate has depreciated by 12 per cent. Such a depreciation may be welcome to exporters, but it does nothing to help satisfy the Government's "judge and jury," the rate of inflation.

The worst thing for the Government would be for next year not to be bad enough. The rate of inflation, especially wage inflation, must be on a firm downward trend a year from now. If it is not, the opportunity may be lost. The higher rate of inflation would be entrenched and time would also be running out before the next election.

Mr Major may face a choice between still higher interest rates now and lower interest rates in 1991 and 1992, on the one hand, and consistently high interest rates throughout, on the other. Given both the political timetable and the economic importance of knocking the incipient wage price spiral on the head, decisive action now may be the better course.

It does not really matter if the justification for a tighter monetary and fiscal policy is the fall in the exchange rate, the monetary indicators, or inflation itself. They are all - happily or unhappily - pointing in the same direction. For Mr Major valour is now the better part of discretion.

This week brought a new dimension to British politics, and I do not think that anyone who has seen or participated in the televising of the House of Commons will expect there to be any turning back.

Parliamentary debates and Question Time have become more accessible to the electorate. We shall see the results in due course - who gains and who loses - and no doubt there will be some surprises along the way. Mr Ian Gow, the Tory MP for Eastbourne, for example, who made the first televised speech and is opposed to the cameras, came out as rather a star.

There is another potential change, however, about which there has been less comment. It concerns the role of the Speaker - the man in the wig who sits in the middle and acts as a kind of umpire: currently the Rt Hon Mr Bernard Weatherill, the Tory - but, by the nature of his office, impartial - MP for Croydon North East.

Television has made the Speaker into a public figure who must be seen on the screen to adjudicate impartially. Many of the outside judgments on the merits and effects of televising Parliament will depend on him.

The Speaker's role has always been important, though probably in a way not well understood by the general public. He not only presides over keeping order in the House, he also has representational functions. It is he who entertains some of the most senior visiting foreign politicians, as well as the more junior, for it is part of the Speaker's job to get on with the lowly as well as the high.

He has splendid apartments in the House of Commons itself. When I was young and there was not much security, I used to go and stay there in the summer holidays with a friend whose father was Speaker at the time.

When Parliament is in session and the Speaker moves

The Speaker Man in the middle faces up to testing new role

By Malcolm Rutherford



along the corridors, everyone else has to stop in their tracks until he has passed. This ritual is taken with great seriousness, as I know to my cost: I tried to breach it once, when in a hurry. The House of Commons policeman was not pleased.

So much for the ceremonial. The Speaker also has power. He has the power to "name," or expel Members from the house for a limited period if their behaviour in the Chamber goes beyond the bounds of the acceptable. Ultimately it is the Speaker, relying partly on precedent and partly on his own judgement who decides what is acceptable.

It is the Speaker who decides whether to grant requests for an emergency debate. That role is less important when the Government has an overwhelming majority. But it did matter in the winter of discontent in 1978-79 when the Government's majority was negligible and the granting of an emergency debate could be another threat to the Govern-

ment's existence. It can matter at any time when political tension is high: for example, during the last miners' strikes.

The Speaker also decides whom to call from the back benches, both in debates and at Question Time. He does so on a number of grounds. Privy Counsellors normally have priority: they are the people addressed as "The Right Honourable" and have usually been either senior Ministers or leading members of the opposition parties who have been privy to official information and have taken the oath of secrecy.

But even Privy Counsellors can be quietly taken aside by the Speaker and told not to overdo it by standing up to be called too often. Thus Mr Julian Amery, the MP for Brighton Pavilion, was advised by the previous Speaker, now Lord Tonyandy, that he was taking undue advantage of his privilege.

Other reasons for calling MPs to speak are constituency and special interests, fre-

MAN IN THE NEWS

Leader who knows what he wants

Egon Krenz talks to David Marsh, Leslie Colitt and Geoffrey Owen about the future of East Germany

Mr Egon Krenz, the East German leader, has climbed to the top of the party ladder in what has always been one of eastern Europe's most rigidly Communist states.

Now, a month into the job of presiding over a country rapidly shedding Stalinism, Mr Krenz has adopted with remarkable speed ways and wiles reminiscent of a western politician on the election trail.

"Of course I have self-confidence," he affirms with a rumbling laugh yesterday in the headquarters in East Berlin of the Socialist Unity Party (SED), the communist party.

Referring to the SED's special party congress in three weeks' time - at which he could well be ousted by grass-roots party dissent - he said there was only a "small" chance that he would not be re-elected.

"Without self-confidence, I couldn't go to the party congress. A lot of foreigners come to us and say the mood (in the party) is awful. I would say that the mood is of two types: doubt and hope. The doubts, we will certainly overcome. And the hopes, we will strengthen."

Mr Krenz, a bespectacled 52-year-old with perpetually dark rings round his eyes, exudes a mixture of toughness and bonhomie. Compared with his introverted predecessor, Mr Erich Honecker, who was forced out after 18 years' rule and now faces an investigation into party irregularities, wavy-haired Mr Krenz has the touch of a showman.

"Yesterday, he cast aside doubts about the future of Communist rule in East Germany, insisting, 'This land is a socialist country and will remain a socialist country.'

Beset by a rising tide of fugitives to West Germany and mounting demonstrations for political reforms, Mr Krenz won breathing space by opening the borders a fortnight ago for travel to the West. Economic pressures are however increasing and the street protesters have not gone away.

One of Mr Krenz's favourite sayings is: "The people are sovereign." The people of East Germany, their frustrations now bubbling over after 40 years of Communist misrule, have not yet had their final say.

The party leader is presiding over a series of political changes which are to culminate, at some stage in the next 18 months, in the country's first free elections. Round-table talks between the SED, the four existing parties - up to now compliant partners of the Communists - and the fledgling opposition groupings are to take place in the next few weeks to prepare changes in the constitution and a new electoral law.

Mr Krenz said yesterday that the poll was unlikely to take place before the end of next year. He hints at benefits to the SED, resulting from the lack of organisation and experience of the opposition. "There are different interests. Some parties are pressing for elections to be held rapidly. Other political groups which have been formed and want possibly to take part

in elections... want the date to be delayed so they have time to prepare."

"I am not ready to speculate on whether or not the SED will go into opposition." He admits that, if elections were held tomorrow, "less people would vote for us than 10 years ago." According to some well-informed estimates, in a free poll the SED would gain no more than 10 per cent to 30 per cent of the votes.

He concedes that 50,000 to 60,000 of the SED's 2.3m members have left the party. But he points out, with the easy tones of one used to power: "We are still the strongest party in the country."

As a member of the Politburo since 1983 - where he was Mr Honecker's deputy in charge of security - Mr Krenz can hardly escape responsibility for East Germany's most serious crisis in its 40-year history. His support for the Chinese Government's crackdown against pro-democracy demonstrators in June, and his part in alleged rigging at East Germany's municipal elections in May, have added to his problems of credibility.

Mr Krenz sighs audibly and talks about "consistency" and "a programme of renewal" when asked about the SED's responsibility for the May elections. He says: "I have a clean conscience."

He says the electoral commission of which he was chairman contained representatives of all the parties; results were based on computer returns, and that to challenge the outcome would cast doubts on the honesty of 300,000 electoral counters around the country. Debate is anyway now academic as all the voting slips have been destroyed, as laid down by law, he adds earnestly.

Mr Krenz bluntly rejects rumours about some of his personal characteristics which have added to his general unpopularity. Asked whether he

drinks too much, he replies with good humour: "I am not an alcoholic. I have never had any problem with this, and I hope also in the future not to have any."

He says he has been the victim of malicious "rumours" spread as part of a "concerted" campaign about him three or four years ago. "The source, I do not know." (He adds that he does not think it was Mr Honecker).

Mr Krenz is clearly on the defensive after popular criticism of privileges enjoyed by top SED functionaries. Yesterday, he drove the message home: "I am not ill. I have not submitted to an operation in the US, I own no hunting reserve, no dacha and no foreign currency account."

Krenz to project an image as an ordinary "citizen of the republic," Mr Krenz now drives a mundane Lada car around Berlin. He appeared on East German television at the weekend in his modest new home in the Berlin suburb of Pankow, after moving out of the Politburo's much-criticised luxury settlement outside the city.

Mr Krenz is elusive about the part played by Mr Mikhail Gorbachev in bringing him to power last month. "Talking of the Soviet leader's policies of glasnost and perestroika - sharply resisted by Mr Honecker and the SED's now-departed septuagenarian old-guard - Mr Krenz says: 'Our mistake was not to have analysed these processes enough and to have drawn the right conclusions from them.'"

Mr Krenz denies that the SED's forcing out of Mr Honecker last month, just after Mr Gorbachev's visit to East Berlin for the country's 40th anniversary, was "significantly influenced" by Moscow. But he points out that Mr Gorbachev gave clear notice of dissatisfaction with Mr Honecker by telling him last month that delays in reforms could be "punished by life itself."

Mr Krenz is also tantalisingly



ambivalent about prospects for unifying East and West Germany. He criticises attempts by the Federal Republic to use the lever of economic aid to force the pace of East German reforms.

"For the near future, I see the necessity for two independent German states," Under present circumstances, he says, German unity is not on the agenda - and if it was, it would destabilise Europe. Longer term, however, he indicates that the question cannot be ruled out, depending on the "framework of the common European home."

Facing an uphill struggle in learning the new political rules, Mr Krenz yesterday drew some inspiration from a chance remark about Mrs Margaret Thatcher. "She is a very energetic and consistent politician. She knows what she wants. Politicians who know what they want and are able to push it through in complicated questions are the right persons to lead."

Flashing one of his glad-handing smiles, Mr Krenz says, "You know opinion polls from many countries show that some politicians are popular, some are less so. But sometimes you see that the unpopular ones are still elected, and the popular ones are not."

The unpopular Mr Krenz undoubtedly knows what he wants. The East German electorate - if it comes into being - will now have to discover if it shares his views.

Ashley Ashwood

"SOCIALISM as an idea, as a system of society, is the only alternative to the uncial system of capitalism," Mr Krenz declared yesterday. "What we plan is not a path between socialism and capitalism, but a path of real socialism."

None the less, Mr Krenz made clear that his concept of a "socialist planned economy" aims to upgrade considerably the role of the market. "If one doesn't respect the laws of the market, then one doesn't consider the needs of the people," Signals from the domestic and foreign markets would have far-reaching consequences, Central planning, however, would continue to set the "decisive priorities."

The East German leader said central planning had been dominated by administrative commands. The more than 300 big industrial trusts which dominate the economy would have to "disappear." Managers would be given greater scope for individual decisions. "They will truly be able to act as entrepreneurs of the economy," Mr Krenz suggested.

Although there might be opportunities for western capital to be brought into East German companies, he underlined his clear reservations about the private sector, especially as producers of consumer goods. The sensitive question of how many people a private manufacturer could employ had not yet been decided. "Private initiative should benefit the population," he noted.

He indicated that private producers and co-operatives could play an important role as medium and small-size

portion of workers' incomes might be made dependant on the "profitability of their company." The private sector would be given "significantly greater attention" than before, along with co-operatives.

Mr Krenz said the leadership could well allow private entrepreneurs to re-ignite the industrial sector, especially as producers of consumer goods. The sensitive question of how many people a private manufacturer could employ had not yet been decided. "Private initiative should benefit the population," he noted.

He indicated that private producers and co-operatives could play an important role as medium and small-size

Take the constituency interest alone. Back bench MPs who know that they will seldom get into the national press have always taken their local papers very seriously because that is where their voters are. They will want to be shown on local television even more. So the competition to speak will become stronger.

There have been only seven Speakers since 1949. Perhaps the most distinguished was "Shakes" Morrison (1951-59) - "Shakes" because he could quote almost the whole of Shakespeare by heart.

There was also Selwyn Lloyd (1971-75), a middle class lawyer from Liverpool with a slight stammer who was Foreign Secretary at the time of Suez and was sacked by Harold Macmillan as Chancellor of the Exchequer. That helped the Labour Party to take to him when he made his come-back in the Speaker's chair.

He was succeeded by Mr George Thomas (1976-83), once an acolyte of Harold Wilson who was arguably too kind to the Tories when he was Speaker. He became a national figure, or rather a national voice, through saying "Order, order" when live broadcasts began on radio. He is now Lord Tonyandy.

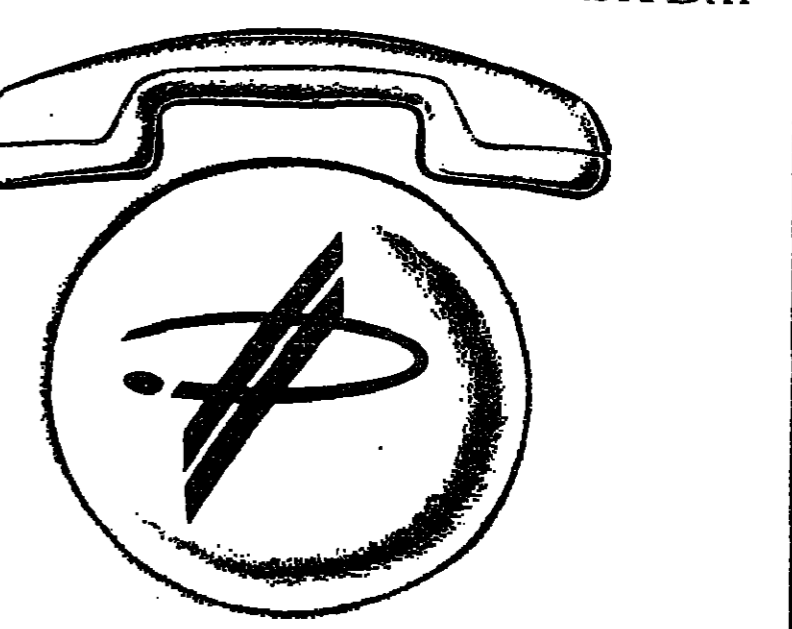
The present Speaker, Mr Bernard Weatherill, faces a much harder challenge. Under the still experimental rules, the cameras have to switch to him whenever there is an altercation on which he may have to rule - and be seen to rule. Like Lord Tonyandy, he is a nice but rather nervous man, perhaps somewhat over-impressed by the trappings and traditions of the office. Before he became an MP he was in the family tailoring business in Savile Row. The highest job he reached in government was Deputy Chief Whip.

Mr Weatherill seems set to stay, at least until the next general election, coping with the challenge of a role which has changed substantially since he was elected.

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M r Cecil Parkinson, the Transport Secretary, did not know what was being done in his name, according to his solicitor Mr Peter Carter-Ruck earlier this month...



FERGUSON

John Plender considers the issues raised by Cecil Parkinson's shareholdings

The rules on ministers' investments

That company was Suter, an engineering group run by Mr David Abell, whose first takeover coup involved the purchase of the Preston refrigerators company from British Leyland... The minister is said to have continued to use the services of this less than top-flight broker for the next seven years...

It is the best indication available of what the current rules might be... Where a minister considers that there may be exceptional cases relating to ministers' private investments...

Mentions in securities about which they were or may be thought to have early or confidential information likely to affect the price of those securities... Given the sensitivity of the Trade Secretary's position in relation to all corporate activity...

potential conflicts of interest. But given the speculative nature of his broker's dealings and of their involvement in controversial DTI investigations, it is hard to disagree with the Channel Four programme's verdict...

Whether, as the Labour MP for Wokington Mr Dale Campbell-Savours argues, that amounts to a case for tightening the rules is a more complex question... A former ministerial colleague of Mr Parkinson's argues, not unreasonably, that ministers must be assumed to proceed on the basis of common sense and integrity...

Yet it is hard to see Britain's Cabinet Office adopting a more aggressive role of that kind in relation to ministerial conduct... The absence of anything more satisfactory, the Channel Four programme has at least proved that investigative journalism is still an operative part of the checks and balances in the British system...

Intentional timidity in the Oval Office

Lionel Barber reflects on an interview this week with President Bush at the White House

Shortly before 1.30pm last Tuesday, 10 foreign newspaper correspondents stood outside the Oval Office waiting to interview the President... As an armed Secret Service man looked on, the White House advance man did his best to line us up in alphabetical order...

The T-word - not taxes, timidity - has left him seething. "I discount that 99 per cent as pure gut American politics," he said, adding later with a touch of self-justification: "I'm trying to be 'timid' - prudent and cautious..."

It sounds well, prudent. The problem is that this low-profile role, with its accent on diplomacy rather than rhetoric, does not play particularly well in American politics... For a politician, George Bush seems unusually sensitive to criticism... Mr Bush knows he blew it on Berlin, and so do some of his officials...

applies as much to deep-sea fishing as to superpower diplomacy. But it also seems like a desire for the intimate setting, a nostalgia perhaps for the Skull and Bones Club at Yale where personal bonds counted and private thoughts could be uttered without fear of public disclosure... "I want to be sure we don't have any misunderstandings - Mr Gorbachev conducting himself in one way and our not understanding the underpinning his own thinking..."

LETTERS

Times and tides

From Mr F.S. Liza

Sir, Few would quarrel with the Prime Minister when she warns that times of great change are times of great uncertainty... However, Mrs Thatcher must not use this to continue to isolate the UK from the other 11 members of the European Community...

Polarisation defended

From Mr Christopher Price

Sir, Barry Riley is usually an imaginative and independent commentator on the investment scene... It is therefore uncharacteristic that he now argues, on behalf of the banks and building societies, the case against polarisation...

from employees from the same group - is now independent... At least some protection has been retained for the potential customer, but for how long?

Obviously Barry Riley has forgotten that it was only the imminent arrival of the FSA, four or five years ago, that panicked most building societies into the area of "independent" advice...

Emergency exits over the wings

From Mr Jonathan Charkham

Sir, Flying fields, level or otherwise, still figure prominently on your pages... "What does an economy do when it has landed?" Does it come to a total halt?

Describing the kind of landing the economy makes is certainly not a flying metaphor... "The odds are that, in its ambition to achieve the best ever soft landing to a cycle..."

God had meant us to use flying metaphors he would not have given us all these... "How valuable metaphors are, touching the unpalatable with a little colour while clouding reality with welcome imprecision..."

Meanwhile, how fortunate that, despite the October 1987 "crash," we do not have to worry about what "stop-go" might do to flying metaphors... "The sky is darkened by lame ducks coming home to roost..."

Green in tooth and claw

From Mr David Erdman

Sir, I am dismayed at your article on the proposed devolution of the Nature Conservancy Council (November 18)... "A person closely involved in the subject" Sir Humphrey, of the Yes, Minister television series?

'The DHSS has some explaining to do'

From Mr Hugh Lowe

Sir: Your coverage of the Community Care white paper (November 17), while a long way ahead of the competition... in particular your leading article's discussion of means testing, whose existence is not even recognised by the rest of the media...

wide no-man's-land between Griffiths just moved it some-where else... NHS territory, where services are free at the time of use, has been losing ground for years to local authority community care territory...

There will be no minister for community care such as Griffiths proposed, but a Department of Health and Social Security (DHSS) monitoring system - that is, criticism without responsibility... the DHSS has some explaining to do. Why are they fudging out for a much higher proportion of the inmates than before - if they are?

cent amounts of money are to be raised from users... Instead there is a reference to a very loose means-testing rule which allows councils to waive charges "as seems reasonable..."

ADVERTISEMENT

Table with multiple columns: Project, Applied rate, Net, Interest, Investment, Maturity, Details. Lists various financial products and services offered by Building Society Investment Terms.

UK COMPANY NEWS

Coats ready to renew Tootal bid

By Alice Rawsthorn

COATS VYELLA is finalising plans to renew its bid for Tootal, its fellow UK textile group, having received clearance from the bid from the European Commission.

have not yet been formally adopted, but are expected to be ratified at a Commission meeting late next month.

Coats has now completed discussions with the MMC on the details of the disposal. NM Rothschild, the merchant bank, is soon to circulate the sale document.

ated significantly since it unveiled its first offer. Tootal recently reported static pre-tax profits of £19m on sales of £264m for the six months to July 31.

Leigh slows with 15% advance to £3.48m

By Richard Tomkins, Midlands Correspondent

A COMBINATION of difficulties with site licences and sharply higher debt charges slowed the recent high profits growth at Leigh Interests, the West Midlands-based waste disposal group.

Barclays disposes of 'non-core' US subsidiary for \$150m

By David Lascelles, Banking Editor

BARCLAYS HAS agreed to sell its US consumer lending and instalment credit subsidiary for \$150m (£95.85m) to Primerica, a financial services and retailing company.

BarclaysAmerican Financial has received about £1.3bn. Based in Charlotte, North Carolina, it has a staff of more than 1,000 and maintains about 220 offices in 29 states.

well-identified core businesses, and sell off those which did not fit this scheme.

MBS in merger discussions with Ferrari

By Alan Cane

MBS, once the UK's largest personal computer dealer, and Ferrari Holdings, the acquisitive computing services company, are at an advanced stage in merger talks.

Another US buy for Attwoods

By Peter Berlin

ATTWOODS, the waste disposal specialist, is increasing its presence in the growing US waste recycling industry with the acquisition of Mindis Industrial Corporation for a maximum consideration of \$65m (£41.7m).

from collection contracts it has or may win to Mindis, rather than send it to a third party.

ary and at that time had net assets worth \$2.2m. Attwoods predicts that Mindis will make profits of \$3.7m in the 17 months to July 1990.

VSEL's £12m pleases market

By Clare Pearson

VSEL Consortium, the defence contractor which makes Britain's Trident-carrying submarines, more than doubled its pre-tax profits from £5.6m to £12.1m in the six months ended September 30.

Clyde Blowers leaps to £0.3m

By Maggie Urry

Clyde Blowers, the manufacturer of soot-blowing equipment, all but doubled pre-tax profits from £141,000 to £280,000 in the year to August 31.

Metsä-Serla lifts stake in UK Paper to 2.15%

By Maggie Urry

METSÄ-SERLA, the Finnish forest products group bidding 330p a share for UK Paper, disclosed yesterday that it had increased its stake in the company to 2.15 per cent.

Hay & Robertson

By Maggie Urry

HAY & ROBERTSON made a pre-tax profit of £21,874 for the year to May 31 against £10,455 loss on £411,800 (£256,800) turnover.

Little credit is gained from unreliable information

Nikki Tait on Peter de Savary's mbo bid and the consequent shareholder confusion

Higher interest rates and some burnt fingers may have dampened enthusiasm among potential backers of leveraged management buy-out bids.

Docks; added other port/property interests around the UK; and then, 16 months ago, acquired from BP a 999-year leasehold interest at the Isle of Grain, in Kent.

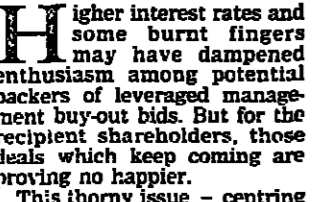
advance from both land and maritime divisions". It went on: "In principal areas of their business, trading in the second half year is continuing to prove satisfactory and group profit for the year should fulfil initial expectations."

ries chairman Geoffrey Parker, has offered to buy out the project, including an underlease on the bulk of the site (minus 30 acres), for the sums spent by Highland to date plus a £3.5m premium.

that circumstances today are very different from those at the time of writing, particularly where the valuation of property-related developments, dependent in some cases on planning consents, are concerned.

Approach to City and Westminster

City and Westminster Group, the financial services company headed by Mr Andrew Greystoke, announced late yesterday afternoon that it had received an approach which could lead to certain directors purchasing the issued share capital of the City and Westminster Financial subsidiary.



Peter de Savary: tour of anxious shareholders to explain his case

At the time, Highland said the cost of the land (£12m) and the construction of the first berth and container park would be around £40m, and that the first berth would become operational in 1990.

Perhaps, given the uncertainties and subjectivity of some of the assessments involved, it is not surprising to find a number of shareholders resigned.

Mr Greystoke, who is among the directors involved in the buy-out, said the further announcement would be designed to give shareholders "an idea of where we're going."

Audio Fidelity £2.3m rights

By Ray Bashford

AUDIO FIDELITY, the sound equipment and consumer products group, may be unable to meet bankers' requirements to reduce substantially its borrowing and is attempting to prop up its financial position through a £2.3m rights issue.

Power Corpn £41m cash call

By Peter Berlin

POWER CORPORATION, the Dublin based property developer, plans to raise £40.8m (£27.9m) in a rights issue to fund acquisitions including a four-acre site in Two Rock Drive, in Two Rock, County Wick, Ireland.

Power Corpn £41m cash call

By Peter Berlin

Power shares closed unchanged at 132p. The group has recently entered into agreements to buy a nearby property on Rodeo Drive and properties in London and Dublin.

Approach to City and Westminster

By Peter Berlin

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MARKET STATISTICS

ECONOMIC DIARY

TODAY: Scottish Young Conservatives two-day conference opens in Peebles. Ministers from the European Community and 12 developing countries meet in Brussels to finalise new trade and trade agreements between EC and 66 developing countries in Africa, Caribbean and Pacific. Organisation of Petroleum Exporting Countries Ministerial conference opens in Vienna. TOMORROW: Swiss national referendum on abolishing the army and on raising the speed limit. MONDAY: CBI monthly trends enquiry for November. European Community general affairs council starts two-day meeting in Brussels. President of South Korea starts visit to UK (until November 30). British trade delegation flies to Argentina. Mr Chris Patten, Environment Secretary, speaks at Town and Country Planning Association annual conference. Labour Party statement on investment in tomorrow's education. Countrywide Corrosion Commission statement on new national forest in the Midlands. Manchester City Council statement on effects of privatisation. Royal Institution Chartered Surveyors inner city awards. Picasso painting estimated to sell for £10m at Christie's auction. TUESDAY: NATO Defence Ministers start two-day defence planning committee meeting in Brussels. EC environment committee meets in Brussels. World Travel Market exhibition opens at Olympia (until December 1). High Court challenge to Mr Peter Gorman's City of London redevelopment plan. Health Education Authority's statement on five-year national strategy for better health. House of Lords select committee on science and technology publishes report on greenhouse effect. Mr John MacGregor, Education Sec-

EUROPEAN OPTIONS EXCHANGE

Table with columns for Date, Vol, Last, Bid, Ask, etc. for various European options.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table showing FT-Actuaries Share Indices for Equity Groups and Fixed Interest, including Highs and Lows Index.

BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions.

BANK RETURN

Table showing bank returns for various categories like Liabilities, Assets, and Issued.

FIXED INTEREST

Table showing fixed interest rates for various instruments like British Government, Corporate, and Index-Linked.

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INTERNATIONAL COMPANIES AND FINANCE

Groupe Victoire holds partnership talks with Baltica

By George Graham in Paris and Hilary Barnes in Copenhagen

GROUP VICTOIRE, the French insurance company taken over this summer by the Suez financial conglomerate, is continuing its breakthrough rush to create a giant European insurance network with discussions on a major partnership with Baltica Holding, the leading Danish insurer.

Victoire agreed earlier this year to acquire Colonia, West Germany's second largest insurance company, for around FF1.2bn (\$1.94bn), and announced earlier this month that it was in advanced discussions on the acquisition of Nieuw Rotterdam, the fifth largest insurer in the Netherlands.

At the same time, Suez is negotiating with a number of insurers on the sale of up to 49 per cent of Victoire, in which it has owned 100 per cent since winning a takeover battle in the summer.

Union des Assurances de Paris, the leading French state insurance group, appears to be the most strongly placed, and is eager to take at least 33.4 per cent.

The negotiations with Baltica may, however, pit Suez once again against Mr Jean-Marie Verne, the financier who controlled Victoire until he lost the takeover battle to Suez in September.

Esselte's profits tumble by 44% in third quarter

By Robert Taylor in Stockholm

ESSELTE, the Swedish office automation and supplies group, reported worse than expected results yesterday with a 44 per cent decline in its third-quarter profits, after financial items, to SKr51m (\$8.1m) from SKr161m.

Earlier in the year the company said that it believed its performance during the second half of 1989 would turn out to be better than in the first half.

Yesterday Esselte said its results for the whole year were now not expected to be up to the level of 1988, though it still forecast a rise of around 15 per cent in its sales figures.

Over the first nine months Esselte recorded a 9 per cent fall in its profits, after financial items, to SKr51m, although sales rose by 17 per cent to SKr1.69bn from SKr1.38bn.

Mr Hans Larsson, chief executive, said the disappointing performance was due in part to a decline in demand worldwide in the advertising industry for office products as well as Esselte's decision to invest in new products such as graphic design software.

The group had also been forced to spend more on its pay-TV operations in the face of severe competition.

Results in the office supplies business had improved despite weakening demand, with a strong recovery reported in North America.

Esselte also reported continuing growth in the business systems unit in Sweden and Finland, though the Norway market remained weak.

The information systems division also reported a rapid and profitable expansion in the area of data-based business information services.

Maxwell bids \$250m for half of Clal

By Eric Silver in Jerusalem

MR ROBERT MAXWELL, the British publisher, branched out this week with a \$250m bid for a 50 per cent stake in Clal, Israel's second biggest conglomerate with holdings in textiles, electronics, industry, property, insurance and finance.

Clal, which is traded on the Tel-Aviv stock exchange, is controlled by two of Israel's big three banks, Discount and Hapoalim.

Mr Maxwell, whose previous Israeli investments were in a newspaper, Ma'ariv, the innovative computer graphics firm Scitex and the Teva pharmaceutical manufacturers, told Israeli radio on Thursday: "The Israeli economy is one of the best for medium and long-term investments, and that is why I invest in it, not just because I am a Zionist."

One of the economy's main attractions was its free-trade agreement with the US, he added. Clal, he said, was a well-managed company, but needed foreign investors to improve its business with Europe and the US.

Discount and Hapoalim at first rejected the offer, but a spokesman for Mr Maxwell said that negotiations were continuing.

Earlier this week Mr Maxwell surprised the Tel-Aviv media world by appointing Israel's most successful editor, Mr Dov Yudevsky, to head his Mirror Group operations here.

Mr Yudevsky had been forced by a boardroom battle to resign from the evening paper Yediot Aharonot, which he had built up over 40 years to be Israel's best-selling daily with weekend sales of 500,000.

Mr Maxwell has denied any intention of making personnel changes at the top of Ma'ariv, Yediot Aharonot's struggling rival, of which he owns 30 per cent, but he is not expected to stand still.

Mr Maxwell, 'Israeli economy is one of the best'

Robert Maxwell: 'Israeli economy is one of the best'

Robert Maxwell: 'Israeli economy is one of the best'

Sir Ron puts his stamp on Stanley Gibbons

By Terry Hall in Wellington

SIR RON BRIERLEY, the New Zealand entrepreneur, is going back to his first job, stamp dealing, in his retirement.

As a schoolboy at Wellington college, Sir Ron (pictured right) made a name for himself as a successful stamp trader among his fellow pupils. Last night it was disclosed that he is to buy in a personal capacity a 37.5 per cent shareholding in the Australian subsidiary of Stanley Gibbons, the British stamp group.

Mr John Mowbray, an old friend and stamp dealer, is to buy the other 12.5 per cent. The company is expected to become a hobby business for Sir Ron, who is retiring to Sydney after his decision two months ago to resign as chairman of the international group of companies which includes Briery Investments and Industrial Equity Pacific.

It is expected that the Australian company might invest in other areas and opportunities apart from stamps, and Sir Ron will play a key role in its direction. He is investing \$150,000 and Mr Mowbray \$50,000 into the business by buying its B shares. It is considered to be a substantial capital for a stamp business and suggests that Sir Ron intends it to be a significant force.

Sir Ron, who is in his early fifties, has had a lifetime love affair with stamps, and reported to have major accumulations in Britain, Australia and New Zealand which he steadily adds to. He is believed to upgrade his collection regularly by trading out inferior stamps and selling them at auction to buy better versions.

Sir Ron displayed an interest in the stamp business this year when, as chairman of IEP, he bought 29.86 per cent of the shares in Stanley Gibbons. The deal to buy the 50 per cent share in the Australian subsidiary was taken to help capitalise debt it owed the London parent.

Sir Ron's decision to take an active role in the Australian company, which operates as a dealer and auctioneer in stamps, answers some of the questions about what he will do in the future following his surprise decision to retire as chairman of Briery Investments, the company he founded and controlled from 1962.

Futures default costs Westpac NZ\$10m

By Terry Hall in Wellington

WESTPAC BANKING CORPORATION yesterday confirmed it has lost NZ\$10m (US\$5.5m) in the second major default facing the New Zealand Futures Exchange this week.

On Tuesday, Jordan Sandman Futures, a subsidiary of Melbourne stockbroker J.B. Wore, refused to deliver NZ\$10m margin call by an unidentified London-based client.

On Thursday, Westpac found itself in similar difficulties but wrote a cheque for its client's unpaid bills, averting a possible collapse. Westpac said it would absorb the loss as it had total assets of NZ\$2.8bn.

Westpac's defaulting client is believed to be the same London-based company that was unable to pay Jordan on Tuesday. Westpac said it had bought futures on behalf of the client, causing the International Commodities Clearing House to make a margin call on Jordan short contracts.

Jordan was suspended from the exchange after failing to meet margin payments on NZ\$600m of stock. The firm had been playing the short end of the futures market since July, expecting longer-term rates to rise.

However, most other investors took the other view, going short on physical stock. This forced Jordan to cover, and its buying sent physical rates tumbling on Tuesday, causing the International Commodities Clearing House to make a margin call on Jordan short contracts.

Jordan could not meet the payment and its client said funds were not available. The larger companies to capacity, writes Robert Thomson.

Sales in the period rose 11.5 per cent to Y68.1bn, a rise the company said was attributable to continuing demand from industry for new plant and redevelopment projects in large cities.

Sales from building construction rose 32.8 per cent while those for civil engineering projects were flat.

The company expects that sales for the full year to end March will be Y1,430bn, up from Y1,241bn last year, while pre-tax profit is projected at Y88bn, up from Y48.5bn.

Komatsu boosts group net income by 36%

By Ian Rodger in Tokyo

CONSOLIDATED NET income of Komatsu, the Japanese construction equipment concern, rose 36 per cent to Y13.3bn on sales of Y420.1bn (\$2.91bn), up 13.4 per cent, in the six months ended September 30, 1989.

The trend of these results shows little variation from those of the parent company, issued three weeks ago, reflecting the success of the domestic businesses at a time when Japan's economy is booming.

Consolidated domestic sales of construction equipment rose up 13.5 per cent to Y172.3bn while overseas sales grew only 4 per cent to Y117.6bn.

Total sales rose 0.7 per cent to Y756.67bn, although sales of business machines, which account for about 28 per cent of revenue, fell by 7 per cent. The company expects business machine sales to improve in the second half and that total sales for the full year will rise 5.6 per cent to Y3,700bn and pre-tax profit by 15.6 per cent to Y17.5bn.

Kajima, the Japanese construction company, reported a 12.1 per cent improvement in pre-tax profit to Y36.3bn in the first half to end-September as demand in the construction market pushed the industry's

are looking at the market. In the doldrums for most of this year because of inflation, domestic demand for cars picked up in September and October as public sector salary and wage handouts in the summer increased demand for consumer durables.

Car output rose by 27 per cent to 12,373 units in October compared with the same month in the previous year. The overall output of vehicles rose 17 per cent to 17,013 units, but total automotive production for the first ten months of the year was still down by 16 per cent at 127,742 vehicles, according to the Automotive Manufacturers' Association.

But the Peugeot-Citroen project has run into stiff opposition from the multi-national car-makers already established in Turkey, under the names Tofas (Ford), Dyp (Renault), and Otosan (Ford). These are established as import substitution plants in the 1960s and 1970s under the closed, command economic regime prior to 1980.

The company was unable to say when the sale would be completed, but Mr Manurhin's anti-tank activities and ammunition production facilities at Cassay in central France would not be part of the deal, Matra added.

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GM lowers stake in Isuzu Motor

GENERAL MOTORS, the premier US motor group, has reduced its shareholding in Isuzu Motor of Japan from 40.2 per cent to 38 per cent.

GM is reportedly planning to use part of the income on sales promotion in the US, Isuzu said. The disposal reduces GM's stake in Isuzu from 40.2 per cent to 38 per cent.

Isuzu said that, judging from the amount of equity GM gave up this time, it understood that the US company intended to raise funds without hurting its stance as the largest shareholder of Isuzu.

Isuzu said a further reduction by GM was not planned. It said the disposal would not change the relationship between the two companies.

The Isuzu shares are to be placed at Y98 a share with Japanese institutions.

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Turkey considers Peugeot production plant

By Jim Rodger in Ankara

PLANS for a large car assembly plant near Izmir in Turkey producing both Peugeot and Citroen models are being considered by Turkey's central State Planning Organisation. A decision on the plant, which eventually could produce up to 100,000 cars annually, is expected by the end of the month.

Peugeot is planning the project - which is understood to involve investment of \$200m - with the UK's Polity Peck International, run by the Turkish

Cypriot entrepreneur Mr Asil Nadir, and Turkey's Cukurova Group, among the top three domestic industrial conglomerates. Initially the production lines at Tofas will produce 5,000-10,000 cars a year.

Turkey has become increasingly attractive to multinational car makers. General Motors completed a plant next year near Izmir to produce up to 15,000 annually of the Vectra marque made by Opel in West Germany, while both Volkswagen and Volvo

are looking at the market. In the doldrums for most of this year because of inflation, domestic demand for cars picked up in September and October as public sector salary and wage handouts in the summer increased demand for consumer durables.

Car output rose by 27 per cent to 12,373 units in October compared with the same month in the previous year. The overall output of vehicles rose 17 per cent to 17,013 units, but total automotive production for the first ten months of the year was still down by 16 per cent at 127,742 vehicles, according to the Automotive Manufacturers' Association.

But the Peugeot-Citroen project has run into stiff opposition from the multi-national car-makers already established in Turkey, under the names Tofas (Ford), Dyp (Renault), and Otosan (Ford). These are established as import substitution plants in the 1960s and 1970s under the closed, command economic regime prior to 1980.

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WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week ago	Year High 1989	Low 1989
Gold per troy oz.	\$416.25	+25.00	\$424.25	\$356.5
Silver per troy oz.	\$78.15	+16.35	\$37.75	\$13.90
Aluminium 99.7% (cash)	\$1708.5	-8.5	\$2425	\$1884
Copper Grade A (cash)	\$1589.5	-2.5	\$1925	\$1164
Lead/cash	\$241.0	-18.5	\$282.5	\$237
Nickel (cash)	\$950.0	-57.5	\$1419.5	\$1550
Zinc (cash)	\$1360.0	-9.0	\$1595.5	\$1150
Tin (cash)	\$8790.0	-120	\$10760	\$6790
Cocoa Futures (Mar)	1553	-21	1890	1553
Coffee Futures (Jan)	3392	-18	4170	3392
Sugar (LDP Raw)	\$369.0	-3.8	\$283.4	\$253.8
Barley Futures (Mar)	\$113.50	-35	\$110.60	\$100.95
Wheat Futures (Mar)	\$110.18	-7	\$109.15	\$104.7
Cotton Outlook A Index	\$1.25c	-1	\$8.30c	\$4.35c
Wool (90s Super)	\$50p	-5	\$10p	\$70p
Rubber (SRI)	\$7.00	-7.5	\$7.50	\$5.50
Oil (Brent Blend)	\$18.525/\$	-0.075	\$14.80	\$16.125

SPOT MARKETS	COCOA - London FOB	UTonne
Crude oil (per barrel FOB)		
Dubai	\$15.95-0.05	+10
Brent Blend	\$18.34-0.02	+0.75
W.T.1 (1st cut)	\$18.86-0.02	-0.4

Oil products	COCOA - London FOB	UTonne
BMW (prompt delivery per tonne CIF)		
Premium Gasoline	\$198-130	
Gas Oil	\$159-110	
Heavy Fuel Oil	\$104-105	+2.5
Petroleum Argus Estimates	\$169-161	

Other	COCOA - London FOB	UTonne
Gold (per troy oz)	\$416.25	+4.50
Silver (per troy oz)	\$78.15	+3.00
Platinum (per troy oz)	\$328.50	+3.70
Paladium (per troy oz)	\$141.50	+1.25

Aluminium (two market)	COCOA - London FOB	UTonne
Copper (US Producer)	\$1589.5	
Lead (US Producer)	\$241.0	
Nickel (two market)	\$950.0	
Tin (Kuala Lumpur market)	\$8790.0	
Tin (New York)	\$318.0c	
Zinc (US Prime Western)	\$1360.0	

Cattle live weight	COCOA - London FOB	UTonne
Sheep (dead weight)	\$202.50p	+4.62
Pigs (live weight)	\$42.21p	+2.46

London daily sugar (raw)	COCOA - London FOB	UTonne
London daily sugar (white)	\$238.90	+0.5
Tate and Lyle market price	\$352.0	-1.5

Barley (English feed)	COCOA - London FOB	UTonne
Malze (US No. 3 yellow)	\$1123.5	+0.5
Wheat (US Dark Northern)	\$213	
Rubber (SRI)	\$7.00	
Rubber (Jany)	\$9.50p	-2.5
Rubber (Feb/90)	\$60.00	
Rubber (LRS No 1 Dec)	\$22.00	-1.5

Cocunut oil (Philippines)	COCOA - London FOB	UTonne
Palm Oil (Malaysian)	\$250.00	
Copra (Philippines)	\$290	
Soyabean (US)	\$1175.5	
Cotton "A" index	\$1.25c	
Wool (64s Super)	\$50p	

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling weaker

THE DOLLAR fell below DM1.80 for the first time since early January, touching a low of DM1.7935 yesterday. It rallied to close in London near DM1.8050, compared with DM1.8050, Thursday. Resistance at DM1.7950 was not conclusively broken, and with the market generally questioning whether pressure is strong enough to push the dollar into a trading range below DM1.80 in the immediate future.

There were no fresh factors to move the dollar in York trading with many New York traders extending Thursday's US Thanksgiving holiday into a weekend here. The US currency fell to Y143.45 from Y144.25; to SFr1.6150 from SFr1.6160; and to FF6.1600 from FF6.1875. The dollar's index fell to 69.3 from 69.6. Sterling continued to retreat

against the D-Mark touching a low of DM2.81, but like the dollar closed towards the top of its range at DM2.82. This was still a fall of 1% pence however, and the lowest closing level since February 1987. The pound gained 5 points to \$1.5625, but declined to Y224.25 from Y225.25; to SFr2.5225 from SFr2.5250; and to FF9.6250 from FF9.6650. Sterling's index fell 0.3 to 89.7. The Bank of England supported the pound during the morning by selling dollars, but there was no intervention against the European Currency Unit. This led to comments that the authorities are trying to hold sterling steady against the dollar, but feel unable to perform the same task against the very strong D-Mark. The Group of Seven accord is preventing direct intervention against the D-Mark and sales of ECU's have provided limited

FINANCIAL FUTURES AND OPTIONS

Table with columns for currency (Sterling, Dollar, Yen), contract type (Call, Put), and price. Includes sub-sections for Liffe Long Call Futures Options and Liffe Treasury Bond Futures Options.

Table with columns for currency (Sterling, Dollar, Yen), contract type (Call, Put), and price. Includes sub-sections for Liffe Short Futures Options and Liffe Eurodollar Futures Options.

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£ IN NEW YORK

Table with columns for date, rate, and previous rate. Shows exchange rates for various currencies.

STERLING INDEX

Table with columns for date, index value, and previous value. Shows the performance of the sterling index.

CURRENCY RATES

Table with columns for currency, rate, and previous rate. Shows a comprehensive list of currency exchange rates.

CURRENCY MOVEMENTS

Table with columns for currency, movement, and previous rate. Shows the daily changes in currency rates.

OTHER CURRENCIES

Table with columns for currency, rate, and previous rate. Shows rates for various international currencies.

FORWARD RATES AGAINST STERLING

Table with columns for currency, term, rate, and previous rate. Shows forward exchange rates for sterling.

FT LONDON INTERBANK FIXING

Table with columns for currency, rate, and previous rate. Shows the interbank fixing rates in London.

MONEY RATES

Table with columns for currency, rate, and previous rate. Shows money market rates.

LONDON MONEY RATES

Table with columns for currency, rate, and previous rate. Shows London money market rates.

NEW YORK

Table with columns for currency, rate, and previous rate. Shows money market rates in New York.

FTSE 100

Table with columns for index value, change, and previous value. Shows the performance of the FTSE 100 index.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns for currency, rate, and previous rate. Shows dollar spot and forward rates.

POUND SPOT-FORWARD AGAINST THE POUND

Table with columns for currency, rate, and previous rate. Shows pound spot and forward rates.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for currency, rate, and previous rate. Shows EMS European currency unit rates.

EURO-CURRENCY INTEREST RATES

Table with columns for currency, rate, and previous rate. Shows Euro-currency interest rates.

EXCHANGE CROSS RATES

Table with columns for currency, rate, and previous rate. Shows exchange cross rates between various currencies.

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MONEY MARKETS

Softer tone

INTEREST RATES eased in London yesterday. Three-month interbank fell to 15 1/2 per cent from 15 3/4 per cent.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England forecast a credit shortage of £650m, revised to £600m, and back to £550m. Help totalled £596m.

Before lunch the authorities bought £178m bills by way of £12m bank bills in band 1 at 14 1/4 per cent, plus £40m Treasury bills and £121m bank bills in band 2 at 14 per cent.

Another £341m bills were bought in the afternoon, via £2m Treasury bills and £186m bank bills in band 1 at 14 1/4 per cent, plus £18m Treasury bills and £24m bank bills in band 2 at 14 per cent. Last assistance of £85m was given.

LONDON RECENT ISSUES

Table listing recent issues of equities, including company names, prices, and changes.

FIXED INTEREST STOCKS

Table listing fixed interest stocks, including company names, prices, and changes.

RIGHTS OFFERS

Table listing rights offers, including company names, prices, and changes.

CHICAGO

Table listing market data for Chicago, including various indices and prices.

STANDARD & POOR 500 INDEX

Table showing the Standard & Poor 500 index performance.

TRADITIONAL OPTIONS

Call in Norfolk Capital, Century Oil, Wembley, Geers Groves, Kell Energy, Aviva Pet., British & Comm., Odeon Res., British & Technology, Utd. Scientific, Put in Lowndes Quayway.

LONDON TRADED OPTIONS

Table listing London traded options, including call and put prices for various stocks.

SPONSORED SECURITIES

Table listing sponsored securities, including company names, prices, and changes.

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WORLD STOCK MARKETS

US MARKETS (Gpm)

Table of US stock market data including S&P 500, Dow Jones, and various sector indices for November 24, 1989.

US MARKETS (Gpm) - continued

Continuation of US stock market data, listing individual company prices and changes.

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Continuation of US stock market data, listing individual company prices and changes.

INDICES

Table of various stock indices including Dow Jones, S&P 500, and regional indices.

INDICES - continued

Continuation of stock indices data.

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Continuation of stock indices data.

INDICES - continued

Continuation of stock indices data.

NEW YORK DOW JONES

Table of New York Dow Jones index data for various dates.

NEW YORK DOW JONES - continued

Continuation of New York Dow Jones index data.

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Continuation of New York Dow Jones index data.

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Continuation of New York Dow Jones index data.

NEW YORK ACTIVE STOCKS

Table of New York active stocks trading activity.

NEW YORK ACTIVE STOCKS - continued

Continuation of New York active stocks trading activity.

NEW YORK ACTIVE STOCKS - continued

Continuation of New York active stocks trading activity.

NEW YORK ACTIVE STOCKS - continued

Continuation of New York active stocks trading activity.

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Continuation of New York active stocks trading activity.

CANADA TORONTO

Table of Canadian Toronto stock market data.

CANADA TORONTO - continued

Continuation of Canadian Toronto stock market data.

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WORLD STOCK MARKETS

AMERICA

Easing of monetary policy enlivens trading

Wall Street

THE CONFIRMATION of a further easing in US monetary policy sent stock prices sharply higher on Wall Street, and helped to revive trading between the Thanksgiving holiday and the weekend.

The Dow Jones Industrial Average opened 17 higher, extending its 17.49-point pre-holiday rally on Wednesday. After some light profit-taking, prices climbed again from mid-morning onwards, in response to the Federal Reserve's signals that it was satisfied with the new lower level of interest rates established on Wednesday.

By 2 pm the Dow was 20.91 up at 2,677.89. Although trading was light, with only 50m shares changing hands by 1 pm, activity was brisker than usual for the day after Thanks-

giving. Another bullish sign, according to some technical analysts, was the ratio of more than two to one between advancing stocks and decliners.

The bond market was less sanguine about the Fed's easing move, with most Treasury issues showing almost no movement. The benchmark 30-year long bond was 1/8 up at 102 1/2, a price at which it yielded 7.87 per cent.

The Federal Reserve executed matched sales in the money market when the Fed Funds rate fell to 8 1/2 per cent, but the key rate stabilised at 8 1/2 per cent. This persuaded most analysts that 8 1/2 per cent was the central bank's new target, implying a 1/4-point reduction from the 3/4 per cent target that had prevailed for the past few weeks.

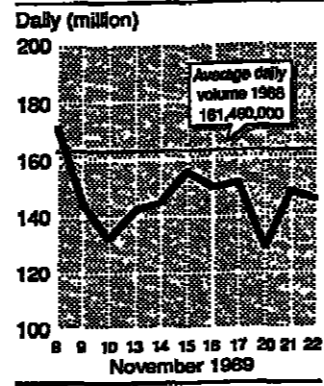
Some analysts attributed the sluggishness in the bond market to the dollar's newfound weakness, especially against

the D-Mark. Short-term interest differentials now favoured European currencies and this could divert substantial international capital flows away from the US fixed-interest markets, they noted.

In the equity market, the buying extended to many blue chip issues, as well as gold mining stocks. The biggest blue-chip gainer was again Texas Instruments, which advanced 3 1/4 to \$37 1/2 in heavy trading. Buyers have continued to pile into the stock after the revelation earlier this week that TI had won a significant patent suit in the Japanese courts.

Other technology and industrial issues also did well. Unisys rose 3/4 to \$35 and General Electric gained 3/4 to \$69 1/2. The gold sector has benefited strongly in the last month from the rise in the gold price and the fall of the dollar. It has received a further boost from

NYSE volume



the easing of US monetary policy and the implied possibility of higher growth and inflation. International Mining was among the Big Board's most active issues, showing a gain of 5/8 to \$19 1/4. American Barrick, another gold miner, also advanced, by 3/4 to \$32 1/4. Primetec added 3/4 to \$28 1/2.

after announcing a deal to acquire a consumer-lending business from Barclays Bank for \$1.35bn. Texas Air gained \$1 to \$12 1/4, after the news that the airline pilots at its Eastern Airlines subsidiary had abandoned their eight-month strike.

Canada

GOLD ISSUES climbed higher by mid-session in Toronto, on the back of the rising bullion price. Most other stocks also firmed, although trading was very quiet.

Gold shares had fallen recently after issues of shares and warrants by American Barrick and Lac Minerals. Advances outpaced declines by 276 to 203, but the composite index fell 13.8 to 3,929.5 on volume of 13m shares. Xerox Canada rose 3/4 to \$32 1/2 after approving a three-for-one share swap with Xerox Corp on Thursday.

Japan approaches end of a hard year with satisfaction

Ian Rodger explains why opportunism is in vogue

THE NEW year rally has begun, said a Tokyo fund manager yesterday, with a mixture of relief and satisfaction. The relief was that this year, which has been a difficult one in which to read Japanese stock markets, has not worked out as badly as it might have. The satisfaction reflected the prospect of entering a period when the course of the market might be more predictable.

Japanese stock markets almost always put on a rally at the end of one year and the beginning of the next. "The market has risen between November and March every year for the past 15 years, another Tokyo analyst said. That is an interesting statistic, but perhaps not as helpful as it sounds. Tokyo is a last-moving scene. In some years it would have been quite possible to lose a bundle between November and January and, if you did not have the stomach to stick it out to March, not to have benefited from the overall bull market.

Various reasons are given for this tradition of year-end/new year bull markets. For one thing, the Japanese like to end a year and start a new one on a note of success. For another, especially this year, savings accounts are boosted by year-end bonuses - in some cases equivalent to over five months' pay. The big brokers, whose influence in the market is rarely underestimated, also like things to be buoyant as they approach their March year-ends.

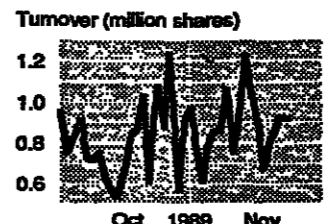
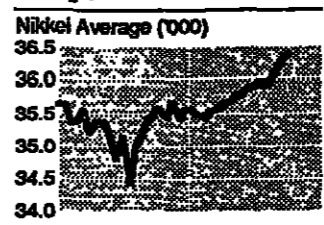
Thus, the word in the market is that the Nikkei average of 225 leading shares should reach 38,000 by the end of December. This is not too outrageous a target, as one analyst said, given that it closed yesterday at 38,494.7. The market has performed well in recent weeks, with the Nikkei rising steadily from the \$4,500 level just after the New Year crash on October 19 to \$15,450 on active turnover of 12.170 shares.

HELSINKI regained some ground after sharp falls this week. The Unitas all-share index rose 10.5, or 1.8 per cent, to 591.4, leaving it 6 per cent down on the week.

Stock Price Index (Topix) of all TSE first section shares has also done well, rising into record territory above 2,700 in the past few days.

Analysis can adduce few reasons for such strength. "In the short term, there appears to be little more than cash and positive sentiment to support the market," one wrote last week. The enthusiasm for the domestic economic boom that propelled the market two years ago appears to have played

Tokyo



itself out. The latest round of corporate financial results for the half year to September has seen that theme substantially fulfilled. Companies have been reporting strong profit growth and making upward revisions of earnings estimates for the full year.

The Wako Research Institute of Economics, which analysed the results of 312 leading quoted companies, found that their average pre-tax profits were up 20 per cent from the same period last year and their average pre-tax margin reached 5.8 per cent, the highest since 1973.

But the stock market has remained largely unmoved, indicating that these results had been widely expected. Analysts say investors expect the economic background to stay favourable for most of next year, but are beginning to ask questions about the year after. Lacking a guiding theme, the

market has taken on an opportunistic tone, with investors jumping in and out of stocks that seem to be in favour on any given day. In the past few weeks, the persistent theme has been one of the most popular. The idea is that Eastern European markets will open to trade and Japanese trading companies will benefit.

Marubeni, the trading company with the best contacts in Eastern Europe, has been a top performer, rising from ¥940 on October 20 to ¥986 yesterday.

Another popular theme has been mergers and acquisitions, with a rush to find stocks that might be involved in such deals. Yasuda Fire and Marine shares have been bought because of rumours of a big restructuring in the casualty insurance sector. They have climbed from ¥1,470 on October 20 to ¥1,860 yesterday.

In this speculative environment, volume has recovered only gradually from the weak summer doldrums, when it was a good day if more than 500,000 shares changed hands.

These days, daily volume is more likely to be 900,000 to 1m, but that is still a far cry from February, at the peak of the last new year bull market, when volumes were averaging more than 1.5m shares a day. Investment trusts, securities houses and foreigners have been net sellers in recent weeks, leaving banks as the only enthusiastic buyers.

There are reasons to hope that the uncertain tone of recent weeks is lifting. The political background seems to be stabilising, with little prospect of a general election before late January. And it now looks as if the ruling Liberal Democratic Party will be able to hold on to its majority in that election.

On the economic front, the easing of US interest rates and some good figures last week on Japanese wholesale price trends have reduced fears that the Bank of Japan will continue to push interest rates up. One analyst also pointed out that share futures prices have just moved ahead of actual prices for the first time in a couple of weeks.

It all seems to point to a happy end to 1989.

Mixed week draws to close with a flourish

FINANCIAL stocks shone again during a confident close to the European week, helped by the easing in US interest rates and by more talk of alliances and takeovers, writes Our Markets Staff.

FRANKFURT had a lively Friday as turnover rose from

STARTING ON January 15, Frankfurt stock exchange trading hours will be extended from two to three per day. The market will be open from 10.30 am to 1.30 pm, as at present, it does not open until 11.30 am.

Dealers in London said that the extension was needed to provide a continuous trading base for the new options and futures exchange, DTF. However, they observed it would not allow Frankfurt dealers to see what Wall Street did on Monday mornings, and so avoid the October 16 debacle.

DM4bn to DM5.5bn, reflecting the strength of the DAX index. The continued recovery of the West German bond market. Financials had another good day with Deutsche Bank, Dresdner, Allianz and Commerzbank all featuring in the

10 most-active stocks list. The DAX index rose 26.83 to 1,555.1 for a two-day rise of 2.7 per cent; this was its highest level since the collapse of October 16 and left it 1.6 per cent higher on the week. The FAZ rose 6.92 to 655.23 for a week's rise of 1.3 per cent.

Deutsche Bank and Allianz were up DM15.50 and DM9 at DM666.50 and DM2,189 respectively. Siemens held its place at the top of the volume charts, up DM9 at DM608 in turnover of DM22m.

PARIS closed firmly after a shaky start, helped by the strength of West German shares, a rally on the domestic financial futures market and a solid opening on Wall Street. The CAC 40 index closed 4.11 higher at 2,028.24, a rise of 1 per cent this week, and the CAC 100 index was up 14.58 at 1,858.09.

The spotlight remained on special situations. Suez gained FF10.20 to FF405 on news it was talking to Baltica Holding, the Danish insurance group, for the purchase of its 10 per cent stake in the insurance group. Victoire, the insurance company that Suez acquired in the summer.

Paribas, the other leading investment banking group, gained FF15 to FF610. It now

has 21 per cent of its bid target, Navigation Mixte, but there are doubts about whether it will win sufficient acceptances to succeed. Its offer closes on Wednesday evening.

Mr Marc Fournier, chairman of Mixte, said in a newspaper interview that he did not plan a counter-bid for Paribas, but suggested that the bank was already under threat. Mixte eased FF1 to FF1,851.

Chargeurs, the transport group, climbed FF33 to FF1,190 after 37 per cent of its nine-month shares. There was fresh speculative interest in Euromarché, the retailer, up FF277, or 6.6 per cent, at FF4,492.

ZURICH saw buying interest in the banking, insurance and consumer sectors as the Swiss index rose 6.1 to 616.9, 2.2 per cent higher on the week. A weaker dollar, slightly lower interest rates and gains

in Tokyo were advanced as reasons for the rise. In Amsterdam, the week in more sanguine mood. The strong results from insurance companies NatNet and Amev continued to support the market. Agon, which reports a 20 per cent increase in its turnover to FF1,407 for a two-day rise of 4 per cent, and banks were also strong.

The CBS tendency index closed higher for a second day, adding 1.1 points to 181.5, a week's rise of 1 per cent. METAL finished higher in moderate trading, the Comit index rising 2.48 to 670.86 for a 2.2 per cent rise on the week. Tough talk from Montedison, on its tax position and on the terms under which Edmonton, the oil company, bought speculation in the latter, which added 1.47 to 11,405, then moved up to 11,470 after hours.

MADRID held above the 300 level with a gain of 0.99 to 301.13, up 1.6 per cent since the previous Friday.

TAIPEI again relied on individual stocks for its excitement, with the house index edging up 0.27 to 358.26. Baltica Holding and Baltica Insurance were suspended for alliance talks with Stoez and

Victoire of France. In the same sector, the pull of Baltica Dkr8 lower to Dkr585 in active trading.

Food group Superfos was also busy, gaining Dkr80 to Dkr5,960 on speculation about a restructuring.

STOCKHOLM remained nervous about interest rates and the economy, closing mixed in low turnover. The Affarsvärlden General index eased 2.4 to 1,129.9, a fall over the week of 2 per cent.

Astra free B shares gained SKr2 to SKr307 in the day's most active trading on news that Lescot, its anti-obesity drug, will be introduced in France. BRUSSELS was also mixed in thin trading, with a few exceptions. The cash market index was off 4.45 at 6,574.12 - a week's gain of 1 per cent.

Bekaert, the family-owned steel cord maker, surged 8.8 per cent on takeover speculation, adding Bfr1,935 to Bfr15,450 on active turnover of 12,170 shares.

HELSINKI regained some ground after sharp falls this week. The Unitas all-share index rose 10.5, or 1.8 per cent, to 591.4, leaving it 6 per cent down on the week.

ASIA PACIFIC

Optimism helps Nikkei scale another peak

Tokyo

CHEERED BY further signs of an improving outlook, investors returned enthusiastically from a day's holiday to continue selective buying and lift the Nikkei average to a third consecutive record, writes Michio Nakamoto in Tokyo.

The market resumed its upward climb in early trading, with the Nikkei average advancing to an intraday high of 36,886.43. It slipped to a low of 36,304.76 before closing just off its high at 36,494.47, up 197.55 points on the day and 1.4 per cent on the week.

Advances outnumbered declines by 577 to 345, with 203 issues unchanged. Turnover edged down from the \$22m shares traded on Wednesday to \$19.5m. The Topix index of all listed shares posted a strong rise of 22.40 to a record 2,759.60, while in London the ISE/Nikkei 50 index added 2.96 to 2,066.35.

Gold was a favourite because of rising bullion prices. Sumitomo Metal Mining, the leading Japanese company mining gold, topped the actives list

with 34.8m shares traded and rose ¥140 to ¥2,230. Aoki, the construction company, also attracted attention because of its gold business via a subsidiary in Brazil. It took third place on the actives list with 25.5m shares and rose ¥80, or 3 per cent, to ¥2,710. It is also considered a political stock, being pushed up before election time to help politicians in need of funds.

National elections to the Lower House of the Diet (parliament) could be as soon as January. With the start of court hearings on the Recruit share sale scandal, which led to heavy criticism of the means by which they raise funds, politicians "are probably going to have to rely much more on the stock market for funds this year," said one foreign broker.

Prospects of lower interest rates made financials look cheap and Nomura Securities posted a ¥120 gain to ¥3,510. Large-capital stocks also benefited, with Sumitomo Metal Industries second in volume and rising ¥20 to ¥790.

Interest-rate sensitive, large-capital stocks rose in Osaka, lifting the OSE average 183.13 to a record 37,640.36. Volume climbed to 101m shares from the 85m traded on Wednesday.

Roundup

SETBACKS IN Australia, New Zealand and Taiwan contrasted with buoyancy in Singapore and equanimity in Hong Kong. AUSTRALIA took a sharp fall as nervousness grew about the strength of the local dollar, the steep rise in the gold price, and the economic outlook after news that October suffered the second worst monthly current account deficit on record.

The All Ordinaries index fell 16 to 1,615.9, its biggest single-day loss for more than a month. That left it 1.1 per cent lower on the week in turnover of 128m shares worth \$232m.

Bond Corp lost 1 cent to 30 cents. Metals Exploration and Mid-East Minerals, two companies controlled by the Bond family company, said they had revised their results downward sharply after marking down the value of convertible notes issued by Bond Corp Securities by 40 per cent.

NEW ZEALAND saw falls in both the share and share

futures markets, with the Barclays index down 14.56 at 2,073.04. SINGAPORE institutions kept buying blue chips, encouraged by Japan's strong performance. The Straits Times index rose 2.28 to 1,895.27, a gain of 3.5 per cent from the previous Friday, and turnover reached 76.8m shares from Thursday's 66.3m.

HONG KONG drifted higher in moderate volume worth HK\$392m, up from HK\$360m, and the Hang Seng index added 7.74 to 2,908.53, barely changed on the week.

The index had recovered from early losses following a downward revision of economic growth for this year. TAIWAN fell heavily as confidence took a further knock, the weighted index dropping well below 10,000 to 9,878.61, down 215.38 on the day and 4.3 per cent on the week.

SEOUL regained the 900 level on the composite index, rebounding 16.79 to 907.44. MANILA lost ground as investors focused on the gold price and the mining sector. The composite index was off 10.97 at 1,375.55.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for Regional Markets, Thursday November 23 1989, Friday November 24 1989, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. UK, World Ex. So. Af., World Ex. Japan, and The World Index.

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LONDON STOCK EXCHANGE Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tellisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

† 555(2) and Third Market Stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

• Bargains at special prices. • Bargains done the previous day.

British Funds, etc

No of bargains included 1540

Treasury Ln 2008 78 - 522.00

Corporation and County Stocks No. of bargains included 5

Greater London Council 10% Stk 90/92 - 255.00

Abertawe (City of) 10.80% Red Stk 2011 - 255.00

Birmingham Corp 5% Stk 1947/49 - 225.00

UK Public Bonds No. of bargains included 1

Agricultural Mortgage Corp PLC 6 1/2% Deb Stk 92/94 - 120.00

Foreign Stocks, Bonds, etc (coupons payable in London) No. of bargains included 10

Abbey National Building Society 6 1/2% Stk 1982 - 500.00

Abn-Amro 10% Stk 1983 - 500.00

Admiralty 10% Stk 1983 - 500.00

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LONDON STOCK EXCHANGE

Weak sterling holds back equities

A NERVOUS trading week on the London equity market ground to a close last night with the continued uneasiness in sterling effectively stemming any recovery in share prices.

Account Dealing Dates table with columns for Dealings, Order Cancellations, Last Dealings, and Receipts.

ket where the pound's weakness against the strong German mark quickly stemmed an initial uptick in share prices.

Morgan Grenfell, the UK merchant bank, said the final reading showed the FT-SE Index with a net gain of 1.9 at 2,244.4.

aware that the most significant response to the UK trade figures will come from the foreign exchange markets and, with New York still at half-throttle yesterday, equity traders are resigned to waiting until Monday morning for a full view of sterling's prospects.

the Footsie drifts down towards the 2,100 mark: indeed, last week saw cautious bargain-hunting by the pension funds which were willing to take lines of stock below market prices.

Renewed alert at Morgan

Morgan Grenfell, the merchant bank, raced higher in keen trading as the market picked up the scent of impending news regarding a possible "white knight" bid for the company.

Standard active

The best performance among the big banks came from Standard Chartered which extended its recent firm showing, the shares closing 13.8 higher at 555p.

that Standard shares "have reached the levels at which profits should be taken." The stake-building stories that were not fully appreciated by the rest of the merchant bank stocks which were barely changed.

He said Hambros would be every analyst's favourite as the next in the firing line; "Out of only a limited number of stocks Hambros is the obvious candidate, followed by Kleinwort Benson."

Insurances attracted brisk trading in the FT-SE, boosted by persistent buying and closed 9 up at 677p with dealers taking the view that Athens, the French insurance group, may have been back in the market adding to its stake.

NEW HIGHS AND LOWS FOR 1989

Table listing new highs and lows for 1989 across various sectors like Chemicals, Insurance, and Metals.

RISES AND FALLS

Table showing rises and falls for various market segments including British Funds, Corporate & Foreign Bonds, and Industrials.

COMMODITIES

WEEK IN THE MARKETS

Markets wither in gold's shadow

LONDON'S COMMODITY markets this week were very much in the shadow of gold. As the return of institutional investors swept the yellow metal 35 higher to \$416.25 a troy ounce (see page 4) - with silver and platinum following in its wake - all the leading soft commodities and London Metal Exchange contracts were losing ground.

available for immediate delivery had been keeping most metals in backwardation. The recent widespread switch to contango has had more to do with slackening demand than with supply.

helped to push the high grade cash position down to a 18-month low of \$1,350 a tonne on Thursday. Profit-taking and short-covering purchases sparked a \$10 rally yesterday but the cash price still closed \$80 down on the week.

December contracts has helped to narrow the gap and with large quantities of beans being graded for delivery confidence is growing that exports of coffee will pass off without too much difficulty.

senior vice president; Mr Jean-Louis Fontaine, vice-chairman; and Mr Raymond Royer, president and chief operating officer. They are joined by Lord King, chairman of British Airways, and Babcock International; Sir Martin Farndale, formerly commander-in-chief of the British Army of the Rhine; Mr Edward Haughey, chairman of Norbrook Holdings; and Dr George Quigley, chairman of the Ulster Bank.

The biggest setback was cash nickel's net 57.5 fall on the week to \$9,600 a tonne (after reaching a 21-month low of \$9,275 a tonne on Thursday).

For much of this year the impact on copper prices of slowing industrial growth has been masked by concern about a series of production disruptions. Most of these disruptions are over, however, and the one that remains - the stoppage at Papua New Guinea's 180,000 tonnes-a-year Bougainville mine because of rebel attacks - has been going on so long (since May) that it has become almost a fact of life in the market.

The zinc market is drifting downwards for similar reasons and expectations of substantial deliveries into LME warehouses by the end of the year

Richard Mooney

FINANCIAL TIMES STOCK INDICES table with columns for Government Securities, Fixed Interest, Ordinary Share, Gold Mines, FT-SE 100 Share, and GILT EDGED ACTIVITY.

TRADING VOLUME IN MAJOR STOCKS table showing trading volume for various sectors like Chemicals, Insurance, and Metals.

cut 1990 expectations from £140m to £128.5m. The shares slipped 11 to 196p. Hunting put in a good performance as the shares rose 7 to close at 214p. They were said to have been helped by the likelihood of new orders for fitting out British Aerospace's Jet Stream Turbo prop plane.

Shares in Harry Ramsden, the fish and chip restaurateur, closed at a 10p premium over the 100p offer price on the Third Market. The offer of an 18.5% discount was oversubscribed 2.6 times.

independent paper maker, and Stone Foundation of the US was again mentioned as a potential suitor. Dealers noted buying interest from the US as well as domestic new time buyers. Smith shares rose 19 to 312p.

LEADERS AND LAGGARDS

Table showing percentage changes since December 30 1988 based on Thursday November 23 1989 for various sectors.

BENCHMARK GOVERNMENT BONDS

Table showing benchmark government bonds for UK Gilts, US Treasury, Japan, Germany, France, Canada, Netherlands, and Australia.

APPOINTMENTS

Shorts new board

The new board of directors of SHORT BROTHERS met for the first time this week, writes Lynton McLain. Shorts is the aerospace company privatised by the British Government in a sale last month to Bombardier of Canada, an engineering and aerospace organisation.

Nationwide technology director

Mr Bernard Simpson has been appointed director of technology for NATIONWIDE ANGLIA BUILDING SOCIETY, Swindon. He was a director of Gateway Foodmarkets, where he was responsible for the integration of the Gateway and International chains, and then Fine Fare and Carrefour.

Senior Civil Service posts

Mr Nicholas Monck will be the new public expenditure chief in the Treasury in succession to Mr Richard Wilson, who will be taking over the industry sector from Mr Monck.

BRABANT RESOURCES

Tonbridge, has appointed Mr Alistair S.H. McIlwraith as finance director. He was finance manager and company secretary, Norsk Hydro Oil & Gas.

TOUCHE, REMNANT & CO

has appointed Mr Nicholas Helliwell as a director of Touche Remnant & Co. He will be responsible for UK pension fund marketing, and joins from a similar post with Robert Fleming Asset Management.

Mr Mike Brown, chief executive of the Company Pensions Information Centre, becomes director of information services at THE NATIONAL ASSOCIATION OF PENSION FUNDS from January 1.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2128

Main table of unit trust information with columns for Unit Trust Name, Price, Yield, and other financial metrics. Includes sections for various trust categories like 'Other UK Unit Trusts', 'City of Edinburgh Life Assurance', and 'General Insurance PLC'.

INSURANCES

Table of insurance products and services, including details on various policies, providers, and associated costs. Includes sub-sections for 'Life Insurance', 'General Insurance', and 'Specialist Insurance'.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OFFSHORE AND OVERSEAS' and 'GUERNSEY (GD REGISTERED)'.

OFFSHORE AND OVERSEAS

GUERNSEY (GD REGISTERED)

MANAGEMENT SERVICES

ION (GD REGISTERED)

LUXEMBOURG (GD REGISTERED)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics. Includes sections for ISLE OF MAN, LUXEMBOURG, and OFFSHORE INSURANCES.

LONDON SHARE SERVICE

Table of London Share Service, listing various British Funds and Foreign Bonds & Rails. Includes sections for BRITISH FUNDS, BRITISH FUNDS - Contd, LOANS, and AMERICANS.

Table of Money Market and Trust Funds, listing various financial instruments and services. Includes sections for Money Market, Trust Funds, and Bank Accounts.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS - Contd

Table listing American stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

BUILDING, TIMBER, ROADS - Contd

Table listing Building, Timber, and Roads stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

DRAPERY AND STORES - Contd

Table listing Drapery and Stores stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

ENGINEERING - Contd

Table listing Engineering stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

INDUSTRIALS (Misc.) - Contd

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

ELECTRICALS

Table listing Electrical stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

FOOD, GROCERIES, ETC

Table listing Food, Groceries, and other stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

HOTELS AND CATERERS

Table listing Hotels and Caterers stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

INDUSTRIALS (Misc.)

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

INSURANCES

Table listing Insurance stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

BAHKS, NP & LEASING

Table listing Banks, NP, and Leasing stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

CHEMICALS, PLASTICS

Table listing Chemicals and Plastics stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

DRAPERY AND STORES

Table listing Drapery and Stores stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

INDUSTRIALS (Misc.)

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INDUSTRIALS (Misc.)

Table listing Industrial (Miscellaneous) stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

BEERS, WINES & SPIRITS

Table listing Beers, Wines, and Spirits stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

BUILDING, TIMBER, ROADS

Table listing Building, Timber, and Roads stocks with columns for Stock, Price, Bid, Offer, and P/E ratio.

ENGINEERING

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LONDON SHARE SERVICE

Latest Share Prices are available on FT Cyltime. To obtain your free Share Code Booklet ring the FT Cyltime help desk on 01-225-2128

LEISURE table with columns for company name, price, and percentage change.

PAPER, PRINTING, ADVERTISING - Cont'd table with columns for company name, price, and percentage change.

TEXTILES - Cont'd table with columns for company name, price, and percentage change.

TRUSTS, FINANCE, LAND - Cont'd table with columns for company name, price, and percentage change.

OIL AND GAS - Cont'd table with columns for company name, price, and percentage change.

MINES - Cont'd table with columns for company name, price, and percentage change.

MOTORS, AIRCRAFT TRADES table with columns for company name, price, and percentage change.

PROPERTY table with columns for company name, price, and percentage change.

TOBACCO table with columns for company name, price, and percentage change.

TRANSPORT table with columns for company name, price, and percentage change.

OVERSEAS TRADERS table with columns for company name, price, and percentage change.

THIRD MARKET table with columns for company name, price, and percentage change.

NEWSPAPERS, PUBLISHERS table with columns for company name, price, and percentage change.

SHOES AND LEATHER table with columns for company name, price, and percentage change.

TRUSTS, FINANCE, LAND table with columns for company name, price, and percentage change.

PLANTATIONS table with columns for company name, price, and percentage change.

MINES table with columns for company name, price, and percentage change.

NOTES table with columns for company name, price, and percentage change.

PAPER, PRINTING, ADVERTISING table with columns for company name, price, and percentage change.

SOUTH AFRICANS table with columns for company name, price, and percentage change.

TEXTILES table with columns for company name, price, and percentage change.

OIL AND GAS table with columns for company name, price, and percentage change.

REGIONAL & IRISH STOCKS table with columns for company name, price, and percentage change.

TRADITIONAL OPTIONS table with columns for company name, price, and percentage change.

Regional & Irish Stocks: The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency. Traditional Options: 3-month call rates. This service is available in every country apart from the USA. Duplicates throughout the United Kingdom for a fee of 200p per annum for each security.

Standard Life for all your commercial property needs

FINANCIAL TIMES

Weekend November 25/November 26 1989

PLUMB CENTER WOLSELEY The name behind the name.

Battle of ideas in Tories' contest without challengers

By Michael Cassell, Political Correspondent

WITH Mrs Margaret Thatcher on coast-to-coast US television yesterday denying she had made herself a "lame duck" Prime Minister and opponents at home portraying her as an over-the-hill incumbent...



Driving along: Margaret Thatcher and George in a golf cart at Camp David

While one junior minister rounded on MP Sir Anthony Meyer, the only identified, possible candidate, suggesting he would appeal to the party's "invertebrate tendency," another Tory MP sent ballot papers to his constituency party members asking them to tell him if they supported Mrs Thatcher or "another member of parliament."

A former minister has already demanded that all his colleagues should give a public oath of allegiance to Mrs Thatcher. Yesterday, in the Commons, the opposition parties stepped up efforts to impose maximum embarrassment and anxiety within an uncharacteristically rattled Tory party.

Mr Douglas Hurd, the Foreign Secretary, on being urged by Labour to escalate the European ministers in persuading "aging and intransigent" leaders to resign, said only that he had better continue with his speech.

Mr David Steel, the former Alliance leader, called her "a rabid old lioness" while Mr Paddy Ashdown, the leader of the Liberal Democrats, said the only thing worse than a

prime minister intending to retire after the next election was one who would not retire.

For the defence, Mr David Wedlington, the Home Secretary, endorsed Mrs Thatcher's leadership. He said the Tory party and millions of ordinary people should welcome her determination to "see through to the end" the work she began in 1979.

In North East Clwyd, Sir Anthony's constituency, there were rumblings of discontent at the MP's avowed intention to stand if no one better comes forward by the time nominations close on Thursday. Mr George Lee, a member of the local party executive, said Sir Anthony had not been sent to Westminster to fight the Prime Minister.

Mrs Thatcher herself, in Washington for brief talks with President Bush, proclaimed her combative credentials and said she was looking forward to the battle of Mess.

Explaining her apparent about-turn on plans to step down sometime after the next election, Mrs Thatcher said she had received so many protests about her original remarks that she was prepared, by popular acclaim, to carry on. She continued: "People were suggesting that if one were not prepared to go on, one might be a lame duck. I've never been a lame duck in my life and I do not intend to start now. I will go on, as long as I am wanted or re-elected."

Sir Anthony, who has yet to secure his proposer or sec-

under, said his impending challenge had been made all the more relevant by the Prime Minister's latest comments. He said of his opponent: "Isn't she wonderful. I think she is a most terrific. But what she is, in effect, saying is that she is offering herself as president for life. And if that really is so, I think the case for the party to decide democratically whether they want a president for life is overwhelming."

Sir Anthony stressed that if a more senior contender emerged, he would "fade into the oblivion from which I should never have emerged."

Mrs Thatcher would vote for that. Thatcher asks Bush for caution on eastern Europe, Page 2

Screening for AIDS to start in hospitals

By Alan Pike, Social Affairs Correspondent

A WIDESPREAD programme of anonymous screening to try to establish the extent of the AIDS threat in Britain is to be introduced in the new year. Colloid taken from hundreds of thousands of people attending hospitals for other medical tests will be analysed for HIV antibodies in a long-term programme to track the spread of the AIDS virus.

The screening programme will provide much-needed details about the extent of HIV among heterosexuals, where information is scarce. There had been 1,422 AIDS deaths in Britain by the end of October - the great majority among homosexual men, intravenous drug abusers and haemophiliacs.

Government health officials have become alarmed at recent suggestions that the heterosexual community has little to fear from AIDS. Last week Lord Kilbracken, a Labour peer, said official figures suggested that the likelihood of AIDS infection among heterosexuals was insignificant.

Sir Donald Acheson, the Government's chief medical officer, rounded on such views at an international symposium on AIDS in London yesterday. They were, he said, highly irresponsible. At least 700 British people had been infected as a result of heterosexual intercourse and the real figure could be much higher. He said: "AIDS is not prejudiced and can kill anyone, whatever their sexual orientation."

Mrs Virginia Bottomley, the Health Minister, announced the screening programme at the symposium. Details of the age and sex of those screened and the location of tests will be collected but she said that all blood would be tested anonymously and "it will be quite impossible to trace the result of the test back to the individual patient."

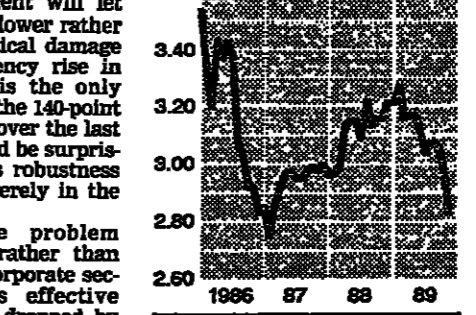
Patients who object will be able to refuse to allow their blood to be tested. The screening programme will begin on January 15. It will be launched in sexually transmitted disease and antenatal clinics and will be extended to some general hospitals later in the year. New-born babies will be included in the tests.

A nationwide screening programme will provide information on HIV infection by age, sex and geographical location and the information gained should enable AIDS prevention campaigns to be better directed.

Devaluation by another name

THE LEX COLUMN

FT index rose 0.8 to 1,754.9



Oddly enough, though, the advertising revenue outlook does not seem so grim. Revenue growth has certainly slowed a great deal from the sector-wide compound annual rate of 25 per cent seen in 1987-88, to about 9 per cent currently at Capital, and presumably rather less at smaller stations.

With advertising revenues at about £127m, compared with £15.5bn for local newspapers and magazines, radio stations still have a lot of scope for expanding market share. Perhaps equally important are the signs of relatively prudent management.

It is striking that out of nine local radio companies surveyed in a recent broker's circular, only three had net balance sheet gearing of more than 20 per cent.

ertarian approach to the Rowena takeover. The line then was that economies which denied themselves the competitive benefits of takeovers damaged only themselves. The worry now is that as industries in the EC consolidate ahead of 1992, UK companies will be more victim than predator.

In terms of hostile takeovers, this is partly inevitable: the market value of quoted companies in the UK is nearly half the EC total. But the imbalance also results from the notorious differences in status between shareholders and management in the UK and on the Continent. It now looks as if the Continental members are going to have to move closer to Anglo-Saxon notions of shareholder power. If so, the investment banks which specialise in mergers and acquisitions will have a new lease of life.

It would not do to exaggerate this. Hostile bids across EC borders are still rare: the only big UK company to succumb last year was Peachey Property. Coopers & Lybrand suggest that in takeovers below £200m or so, the balance actually runs in favour of UK acquirers. Nor is it quite clear why, if the UK approach to mergers is the model to which the rest of the Community now aspires, UK industry has underperformed so badly. But at least, if the rules are the same across the EC, the UK will have one less excuse for that.

Barclays Bank

The steady retreat of British banks from North America continues apace, and it is not a pretty sight. Yesterday, Barclays agreed to sell its consumer finance and instalment credit business to a more entrepreneurial-minded local institution. It is the latest sign that UK banks are abandoning their grand ambitions to become major players in the world's biggest banking market and retrenching.

Barclays has tried long and hard to make a success of this business, but has finally decided that it is no longer worth the effort.

It is a sensible decision for a bank which believes it is one of the best in the world; but it does raise the question of why British banks ever felt they had to spend billions of dollars to establish themselves in the US. The cost to shareholders has been substantial; and if shareholders want to invest in a US bank they have plenty to choose from.

Hong Kong pays for China's crisis

By John Elliott in Hong Kong

HONG KONG'S economic growth has suffered a sharp fall - largely because of the June crisis in China.

According to early estimates, the colony's economy contracted by 1 per cent to 2 per cent in the third quarter of this year in the immediate wake of the massacre of pro-democracy demonstrators in Peking. There has been a marked slowdown in both external trade and domestic demand.

This is a faster rate of economic deceleration than had been expected by the Government yesterday halved its forecast of GDP growth for the whole of 1989 from about 6 per cent to 3 per cent.

This means the rate of growth of Hong Kong's economy will have halved in each of two successive years, down from 13.5 per cent in 1987 to 7 per cent in 1988 and 3 per cent this year.

After a slight contraction in growth in 1985, the economy grew by 30 per cent in the following three years. It was beginning to cool down when it was rocked by the events in China in June.

The figures suggest that the impact of June on Hong Kong had been underrated and demonstrate how severely its business confidence, activity and consumer demand were knocked. This accelerated an economic slowdown which had been triggered by China's austerity programme and by a decline in world demand.

There has also been local reaction to Hong Kong's own overheated economy.

However, government economists believe that there will now be some slight recovery because the initial shock of the June events has worn off and the tourism and property markets have bottomed out.

The trade figures for October are expected to show that domestically-produced exports grew by only 1 per cent in real terms compared with a year earlier. This compares with 5.5 per cent in the first quarter, 2.2 per cent in the second quarter and a 1 per cent decline in the third quarter.

Yesterday's figures were contained in the Government's third quarter economic report.

They revealed that the annual rate of inflation remains high, with a forecast of around 10 per cent for the year, up from a forecast of 9.5 per cent three months ago.

Sharp drops in tourism and other domestic activity led to a 4 per cent decline in retail sales in the third quarter compared with a year earlier. This followed a 3 per cent decline in the second quarter and 6 per cent growth in the first three months of the year.

Hong Kong's decline in export trade with China was shown by re-exports to China falling by 1 per cent in the third quarter compared with a year earlier. This contrasts with 50 per cent year-on-year growth in the first quarter.

Morgan hopes for ally in Indosuez fight

By David Lascelles, Banking Editor

NEGOTIATIONS by Morgan Grenfell, the City merchant banking group, to find a "white knight" to help it fend off an unwelcome approach from France's Banque Indosuez are likely to reach a climax this weekend.

Morgan hopes to be able to make an announcement on Monday. Deutsche Bank, West Germany's biggest bank, appears to be the front-runner, although other institutions are also involved.

Morgan needs to clinch a deal before Wednesday, when shareholders at Willis Faber will be voting on whether to sell a further 10 per cent of Morgan stock to Banque Indosuez. Willis has already sold 10 per cent to Indosuez, which now holds 14.9 per cent and is Morgan's largest shareholder.

Morgan has made it clear that it does not relish the prospect of Indosuez owning 25 per cent of its stock. It claims that the French bank will cramp its style without bringing it any

great benefits.

Mr John Craven, Morgan's chief executive, asked Mr Antoine Jeancourt-Galignani, Indosuez's chairman, to agree to live with a reduction in his investment in Morgan. However, Mr Jeancourt-Galignani said he was not prepared to wait that long, forcing Morgan to look elsewhere.

The quest for a "white knight" was not easy, because few institutions are acceptable to Morgan and strong enough.

Analysts said yesterday that a new offer would have to value Morgan at £5 a share at least - the price at which it was listed on the stock exchange three years ago, valuing the whole group at nearly £800m. Morgan shares last night closed at 46p.

Deutsche Bank refuses to comment. It has owned 4.9 per cent of Morgan for nearly five years, and is engaged in a policy of European expansion.

Czechs

Continued from Page 1

expressed sympathy with these demonstrations, saying that they were in aid of necessary reforms.

All remaining doubts that the workers and many in the countryside would stay aloof from the agitation - one of the last main hopes of the Communist leadership - also crumbled yesterday. Some 10,000 workers from CKD, the huge Prague engineering works, attended the Wenceslas Square rally.

Mass demonstrations also took place in Bratislava, Kocice, Vitkovice and Banska Bystrica in Slovakia - all with high worker participation.

Czech television suddenly discovered glasnost. Programmes were interrupted late in the afternoon by clips from the Prague demonstration, during which an announcer voiced the view that the demonstrators were "putting forward the demands of us all."

WORLDWIDE WEATHER

Table with columns for location, temperature, and weather conditions for various global cities.

Krenz interview Continued from Page 1

Berlin showed more "co-operation". He said: "At the moment, we are not planning to open it. Whether we open it, and when we open it, depends not on us, but on the other side."

Mr Krenz revealed his country's interest in eventually joining the European Community. Although "a difficult question to judge today," he called EC membership: "A question in a historical framework - to do with the common European house which we all want to build."

In spite of the opening a fortnight ago of East Germany's western borders, Mr Krenz said the Berlin Wall would stay to prevent unity between the two German states. "The falling away of the border would have significant consequences for carrying out certain plans for reunification." Under present

circumstances, he said, "the existence of two German states is a question of stability and peace in Europe."

In an intriguing glimpse of possible new East German perspectives on reunification, Mr Krenz indicated that, at some stage in the future, German unity could become feasible. East and West Germany could eventually move towards a form of co-operation if NATO and the Warsaw Pact were to dissolve in coming years.

He said: "The question of reunification at the moment is not on the agenda because it would totally change the power relationships in Europe... But, concerning the building of a European house, I say we will have to wait and see how the German events develop."

Mr Krenz put the blame firmly for East Germany's economic crisis on "deformations" caused by adherence to the "administrative system" inherited from the "Stalinist past."

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Weekend FT

SECTION II

Weekend November 25/November 26, 1989

AMERICA'S WAR against cocaine and the martial rhetoric that goes with it are designed to reassure the public. But it implies a campaign of law enforcement so severe and expensive that free-market economists are arguing for the unthinkable - the legalisation of the production, sale and consumption of hard drugs. The political crisis in Colombia and the "crack" crisis in America's inner cities have been the main impetus for the argument, if not popular, at least respectable.

Opponents call it the "surrender option." As things stand, however, legislation has one fatal flaw: no government or political party in its right mind would dare advocate it. Even if they did, it would require all countries to act in concert. But supposing legalisation were to become morally acceptable and therefore politically possible, is it the right answer? The best place to ask the question is Amsterdam. In the capital of Europe, the home of hippies, their militant successors the Provos and youth cultures of all shades.

IN AMSTERDAM, there is a discreet difference between a cafe and a coffee shop, often indicated by the name over the door. The coffee shop usually has a suggestive English name like "Grasshopper," "Parade" or "High Society." Taped above the bar are packets of cigarette papers. There are Rastafarian posters around the walls, a pair of young immigrants playing table football, more customers lounging at the cheap tables and an all-pervading, acrid haze of marijuana smoke.

The barman, probably from Surinam or the Moluccas, dispenses coffee and half pints of lager. On request, he fetches out a scrawled cardboard menu: for 25 guilders (about £7.50) you can choose between 10 types of the weed in packets of 1.4 to 2.8 grams, according to quality. So long as he does not serve spirits or hard drugs, does not sell cannabis in large quantities, does not advertise and turns away minors, the coffee shop-owner is pretty safe from prosecution.

The theory behind this official permissiveness is that by separating the markets in soft and hard drugs, the youthful dabblers is not led from the former to the latter. He is kept away from the criminal element. "Changing your state of mind is part of adolescence," says Dr Jan Walburg, director of the Jellinekencentrum, Amsterdam's leading clinic for drug addicts. "You want to get drunk and try drugs. So you go to the coffee shop and experience basic fun, laugh about it with the farmer to the dealer and that's it. You don't need to go to dealers who are offering cocaine and heroin." Walburg says legalisation is a "simple solution, like jail. There is always a cry for that."

In spite of the coffee shops, cannabis smoking in Holland has shown no increase since the early Seventies. For example, a school survey at the end of 1988 suggests the number of 10- to 18-year-olds who smoke it regularly is under 2 per cent; the number who have tried it at some time or another is about 6 per cent. The figures for smokers of all ages are predicted to rise slightly in the early Nineties. For example, a school survey at the end of 1988 suggests the number of 10- to 18-year-olds who smoke it regularly is under 2 per cent; the number who have tried it at some time or another is about 6 per cent. The figures for smokers of all ages are predicted to rise slightly in the early Nineties.

Coch parties of rubber-neckers meander around Amsterdam's red light district, mesmerised by nearly-naked prostitutes gaudily illuminated in the windows. But their guides stress the fact that the streets in particular Zeedijk where the hard drug trade is centred. Despite Zeedijk's reputation, the authorities say there is no such thing as a no-go area in Amsterdam.



Christian Tyler thinks the unthinkable, after a visit to Amsterdam, and considers whether the case for the legalisation of hard drugs is proven

Should we go Dutch on drugs?

Opposite the Weesperplein metro station, two buses have pulled up outside an ugly public building. Like mobile libraries or ice-cream vans, they have just returned to base after their daily run of three stops apiece, each lasting 1½ hours. They do not distribute books or ice-cream, however, but the heroin substitute methadone and clean hypodermic needles and syringes in exchange for dirty ones.

The most visible part of Amsterdam's care-or-care system, the buses cope with the people a day. Between them, the buses, public clinics and general practitioners see 4,500 of the city's estimated 6,000 heroin addicts a year. There is an indefinable but unpleasant smell inside the plain brick clinic where a group of young addicts, black and white, wait hungrily for relief. As the door closes, a bearded young man clamorous from the street, in German, to be admitted. He is one of the city's bigger problems: a foreign addict driven to Holland by his own country's more repressive policy.

Because of the coffee shops and the while, waiters jumpily for relief. As the door closes, a bearded young man clamorous from the street, in German, to be admitted. He is one of the city's bigger problems: a foreign addict driven to Holland by his own country's more repressive policy. Because of the coffee shops and the while, waiters jumpily for relief. As the door closes, a bearded young man clamorous from the street, in German, to be admitted. He is one of the city's bigger problems: a foreign addict driven to Holland by his own country's more repressive policy.

In Holland, the state treats drug abuse as a health problem first, a criminal justice problem second. The neutral name for the policy is "pragmatic." Whatever you

call it, the policy appears to have been remarkably successful in containing the epidemic.

While Britain and the rest of Europe are living in fear that a plague of the cocaine-cocktail "crack" will spread from the saturated North American market, the Dutch authorities say they have every reason not to expect one. They know their addicts, and how conservative they are, and say "crack" has just not caught on.

Drug control policy is no longer a political issue in Holland: it did not figure at all in the last general election. There is a broad consensus (punctuated by the occasional protest), and more discussion of the issue than in any other country. The social democrats in Amsterdam have included in their manifesto for next year's city council election a call for further steps towards legalisation. But Walter Ritz, chairman of the city's drugs co-ordinating committee, said this was largely to register his party's disaste for the American idea of a war on drugs. "It's better to legalise the supply if there is demand - but even better to fight the demand," he said.

Occasionally, the public rises up in protest, as at the border town of Arnhem recently. There, known drug dealers were dragged from their shops by enraged residents and beaten up. The incident was blamed on a "failure of communication" between public and police.

The most persuasive fact is that the number of drug addicts is stable and probably falling, while the age profile of the addicts is rising. What is more, the statistics claim to be in regular contact with about three-quarters of the country's

15,000-20,000 drug addicts (in a population of 14.7m). That means that they know more about their own drug problem and how it might develop than probably any other country.

Considering Holland's reputation, and the fact that it has (in Rotterdam) the largest port in the world and (in Schiphol) one of the busiest international airports, all this is remarkable.

But the Dutch have not legalised drugs, not even cannabis, and they feel no pressure to do so. Holland's answer to the drug problem is contained in the single word "normalisation." It does not mean drug abuse is regarded as anything but deviant behaviour, but says the problem should be dealt with by society in the same considered way as any other problem, without panic and without hyperbole. It recognises that prohibition and criminal penalties, although necessary, can have damaging side-effects - often worse than the drug abuse itself - and therefore tries to mitigate these effects.

It is an unashamedly ambivalent policy that purists would reject as inconsistent. It distinguishes formally between hard drugs (heroin, cocaine, amphetamine) and soft drugs (mainly cannabis). It punishes drug dealers as harshly as any other country, but treats drug users as victims. At the same time, it maintains that all trafficking and possession are illegal. It is morally ambiguous, perhaps. But it seems to work.

Because they have been able to keep in touch with their addicts, the Dutch know as much as anyone about the psychology

of addiction and the sub-culture of the junkie. Their policy is the result of a compromise between public concern and scientific uncertainty. For addiction is not an infection and remains something of a mystery, according to the experts. It is the result of a collision between substance and individual in which the pharmacological effects are not predictable. It might be surprisingly intermittent. Dr Gerrit van Santen, one of the clinic's doctors, said: "With all my experience, I cannot recognise an addict from the outside. Addicts vary greatly and the junkie stereotype is not common."

Likewise, experts disagree about the causal link between drugs and crime. The association is certainly very strong: more than half of Holland's (small) jail population is in for drug-related offences. But does the trade in drugs create crime, or is it the other way round, or both? In Holland, most addicts fund their habit, quite legally: only about a third of the addiction in Amsterdam, for example, is fed with the proceeds of crime.

Chief Superintendent Leo Zaai, the 33-year-old head of the Amsterdam drug squad, agreed that prohibition attracted organised crime but said the organised crime would not disappear if prohibition were lifted. It would just go somewhere else. "In fact I'm not interested in drugs at all. I'm interested in criminal activities - money laundering, blackmail, fraud, theft and murder."

Again, status and fashion are important factors. Prohibition not only drives prices up, it glamorises the drug and makes it more attractive to the potential addict who

might be weak, dissident, neurotic or merely attention-seeking. For this reason, the Dutch are very careful about the propaganda they direct at children. They will not, for instance, let policemen into schools to talk about drugs in case it sets up an attractive link between rule-breaking and drug-taking.

Eddy Engelsman, head of the alcohol, drugs and tobacco branch of the Ministry of Health and a persuasive apologist for the "normalisation" idea, goes so far as to blame politicians and the press for creating the "crack" problem in the US. He thinks legalisation could come one day when it is realised that penal methods do not work. He discusses the problem of hard drugs in the same breath as the problems of drunkenness or pill addiction. "There are thousands of housewives addicted like zombies from Budy cases," he said. "Alcohol abuse is frightening - look at the statistics - but society doesn't panic, and I am happy about that. But governments must be concerned because of the health costs. We should not be blowing up problems affecting the individual into social problems."

The Dutch claim they have de-glamorised hard drugs. Their present worry is not "crack" but the relatively harmless Ecstasy, an amphetamine-derived pill aimed at party-going youths to give them a high and make sex seem more enjoyable. It has reached Holland from Britain where it is popular at Acid House parties, successors of the Sixties' pop festivals. Under pressure from the US, the Dutch have promoted Ecstasy to the "A" list of banned substances. Its price has jumped from 10 to 30 guilders a pill to 40 or 50. Walburg thinks it will be the drug of the Nineties. Is Ecstasy a problem? Yes, because it is hallucinatory, with effects like alcohol, and attractive to the young. "The problem is precisely that it isn't very dangerous," Walburg says.

As the young turn from hard drugs, perhaps frightened by the heroin wrecks they see left over from the junkie culture of past decades, the average age of Amsterdam's addicts has risen to more than 30. They are still to be found in all classes, says van Santen. Middle-class addicts tend to be people with psychological problems while the poor, often immigrant, addicts are adjusted better mentally but alienated or marginalised socially.

Nevertheless, it is one of Holland's boasts that Dutch addicts are among the most presentable anywhere. They are kept going, outwardly no worse off than the average unemployed person, and ready - if finally they can find the motivation - to go in for detoxification. "The Dutch junkie knows what he is doing," said Theo Bot, a public prosecutor attached to the Ministry of Justice, "unlike the foreigner who is eating pills and injecting anything he can get his hands on."

It might be said that Holland is a special case. So it is, in the sense that every country is unique to itself. It could be, as some Dutch officials say, that their choice of policy owes more to luck than to skill. Certainly, Holland is a small and manageable country with a tradition of tolerance, respect for civil rights and an extensive welfare state, which all help make its drug policy workable. It has plenty of immigrants, some of whom are now a problem, but not the huge, crime-infused ghettos of the US. Britain has tended to adopt a double standard, echoing the rhetoric of the Americans while quietly applying Dutch techniques.

In the end, perhaps no country without Holland's special features can import the Dutch solution successfully. Yet Americans and Europeans alike are looking with growing interest at its successful compromise between war and surrender.

The Long View

Seeking order in the market chaos

MY DICTIONARY tells me that "chaos" means a formless void, or a great deep of primordial matter. Is this how we should view the stock market - and could we ever hope to make some money this way?

In the past, analysis of the stock market has been based on the basis of linear systems, which depend upon some kind of assumed proportionality. Share prices are reckoned to depend upon certain variables, like earnings or dividends, and to reflect rational behaviour by investors.

Although such methods of analysis have kept the financial boffins going for the best part of 25 years, it is not clear that they have helped anybody to become very rich. Share price movements can be explained in these terms only in retrospect. Future movements cannot be predicted with any significant success. In fact, it has become a widespread view that stock markets essentially are random; hence, the classic comparison with the drunken walk, where it is not possible to predict from the previous step just where the next one will go.

Plainly, this is not a very satisfactory analysis from the practical investor's point of view, except perhaps for those promoting index-tracking funds. Particular problems have been generated by events such as the Black Monday crash of October 1987. That gave all the appearances of being a systemic correction

rather than a random event. But conventional theory has not come up with any very convincing explanations.

After rumbling away in the professional press for some time, chaos theory emerged as the most fashionable light of Barclays de Zoete Wedd Investment Management's annual seminar. Unfortunately, the pair of star academic speakers contributed to the chaos by failing to appear, apparently on the curious grounds that they had been treated with disrespect by the *Financial Times*. As if we would do any such thing. Make no mistake, this is a very serious subject.

So how can chaos help? To begin with, there is suspicion about the apparent randomness of share price movements. It is actually rather hard to test for complete randomness, and perhaps all is not quite what it seems. Accordingly, there is a search for models of stock market behaviour which are neither linear nor random but are something in between. They are, in fact, chaotic systems. The differences can be defined in terms of entropy: a static, pre-determined system has an entropy, or E, of zero, but randomness implies infinite entropy. The middle case is a chaotic system which will have positive, but not infinite, entropy.

In nature, chaotic systems are all around us: for instance, in the wind and the streams. Chaos theory was devised to



Analytical methods devised to cope with turbulent natural phenomena are now being used to study the wayward behaviour of stock markets

cope with natural phenomena. The eddies and the vortices are not, in detail, predictable, but certain rules of behaviour can be established. These might, say, be rotation around particular centres, and a system might fluctuate between several different states, moving from one to another for no

apparent reason.

The natural world might be one thing, but could a study of such transitions prove useful in understanding the behaviour of the stock market? It depends on whether capital markets can be presumed to exhibit deterministic chaos; that is, there might be a hidden order to be discovered. Possibly, too, markets may show deterministic chaos and random chaos at different times. After all, share prices quite often move in orderly trends for extended periods; but there are periods of violent fluctuation, too, and it is about these that we are most anxious to be forewarned.

The starting point of the chaotic interpretation of markets is that their structure is non-linear: in other words, each set of assumptions is consistent with several different solutions, not just one as would be the case for a linear system. This multiplicity produces the appearance of randomness, especially as such systems are often extremely sensitive to tiny differences in the initial conditions.

So far, so discouraging, but mathematicians are trying hard to find some windows that will allow them to peer into the chaos within. One of the more promising is fractal analysis, which is a way of looking at the dimensionality of a system. We all know about two dimensions, and about three. But four gets trickier, and 5.29 is worse still. All the

same, the mathematicians argue that study of this kind of F factor, which reflects the number of different market forces that are at work, can be useful. The lower the F, and the higher the E, the more volatile the market.

An interesting possibility is that it might become possible to assess the psychological factors operating on a market as well as fundamentals such as earnings growth. In a way, this could be seen as a means of putting mathematical flesh on the bare bones of chartism, the theory that patterns in price movements can sometimes be repeated and can, therefore, have predictive value.

Attempts have been made to explain such patterns in terms of the interplay of forces of mass psychology, wrapped up in the general description of "sentiment." The trouble is, no convincing scientific evidence exists that chart analysis is profitable consistently, although the art certainly has many faithful adherents.

At any rate, computers in the US - and to an increasing extent in the UK also - are now crunching their way through mountains of historical price and volume data, with their operators hoping that they can find some order in the chaos. Even if they do not manage to model the market's madness, at least they may be able to shed new light on its moods. But, so far, there is more determination than determinism.

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FT 25/11/89

MARKETS

LONDON

A crumb of comfort in troubled times

FIRST THOUGHTS, it is said, are often the best. Never has that been more true than for assessments of the London market during the past 12 months.

In a very short period - which would leave those year-end forecasts looking even more accurate. There are plenty more who see a slow limp to the year-end, with the interest rate picture static and corporate pressures continuing to mount.

By Tuesday and Wednesday, the subject of concern had shifted to the October trade figures, due out on Thursday morning. For once the market need not have worried: the statistics were both better than the City expected, and gave some mild encouragement to suggestions that Britain will be able to export its way out of the present situation.

FINANCE & THE FAMILY: THIS WEEK

Where next for Tokyo

Investment Japan-style: a Finance & the Family special on long-term prospects for the Tokyo stock market and investment opportunities in Japan. Page III

Maximising your interest

Building societies are no longer necessarily paying the best rates of interest on deposits. If you are willing to tie up your money for longer periods you could get between 11.5 and 12 per cent net. But where do you go for the best deals? John Edwards investigates. Page VI

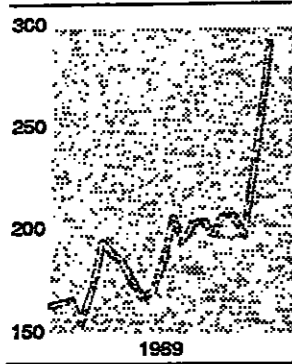
Minding Your Own Business

Roy Hodson meets an inventor who aims to make life a little easier for the photographic trade and Sally Watts shares a glass with a hard-headed wine-seller. Page VIII

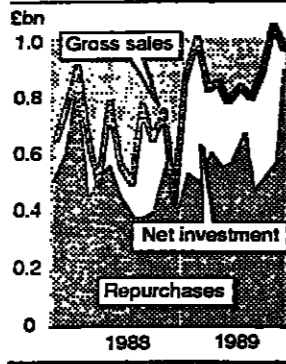
THE WATER SALE

A special three-page guide to the Government's latest privatisation, including an assessment of all 10 water companies, advice on different investment strategies, including the possibilities of avoiding tax with a PEP, what the brokers say; and an account of the personalities, the battles and political compromises behind the flotation. Pages IX - XI

FT Gold Mines Index



Unit trusts



Gold shares lifted by buoyant bullion

Gold shares have been faithfully tracking the bullion price, which decisively broke through the \$400 an ounce barrier on Tuesday and carried on up yesterday to around \$417 an ounce, responding to the steep fall by world stock markets in mid-October and to events in Eastern Europe.

Specialists say that US investors have moved back into gold shares in a big way, causing short-term stock shortages which have in turn given further impetus to rising share prices. The level of demand for gold shares was demonstrated recently as Hanson easily placed the South African gold share portfolio it inherited in taking over Consolidated Gold Fields.

Unit trust figures bring relief

A huge sigh of relief came from the Unit Trust Association when it added up the sales figures for October. Net investment was still in the black, but only just at £79.3m. The highest monthly repurchase figure since October 1987 - of £877.5m - was just covered by unit sales of £956.8m, the third highest this year.

Templeton plan gets go-ahead

Members of the Time Assurance Friendly Society voted overwhelmingly in favour this week of a plan to be taken over by the Templeton fund management group. At a special general meeting in Oldham over 95 per cent of the 10,000 members who voted backed a resolution proposing that Time Assurance should be converted into a private company called Templeton Life Assurance, which will be wholly owned by Templeton Global Investors.

Indemnity insurance probe

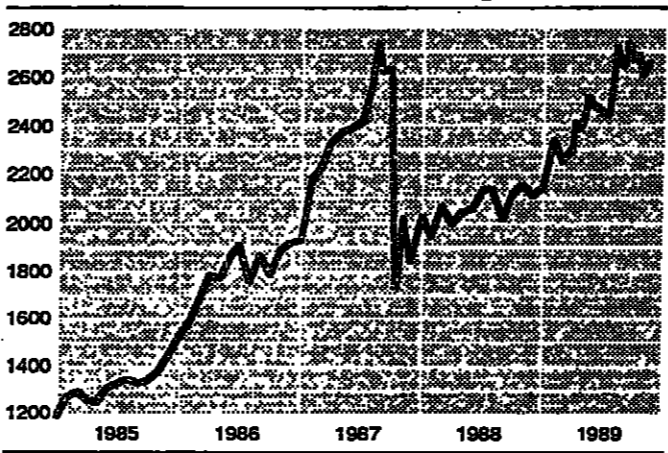
Fimbra (The Financial Intermediaries, Managers and Brokers Regulatory Association) yesterday announced it had agreed to sponsor an independent working party of industry representatives to consider the professional indemnity insurance which Fimbra should hold to protect investors. This follows the collapse of Fimbra's earlier plan that would have forced all its members to join one specified insurance indemnity scheme.

HIGHLIGHTS OF THE WEEK table with columns: Price y/day, Change on week, 1989 High, 1989 Low, Trades figures nervousness.

WALL STREET

Giving thanks for a rally

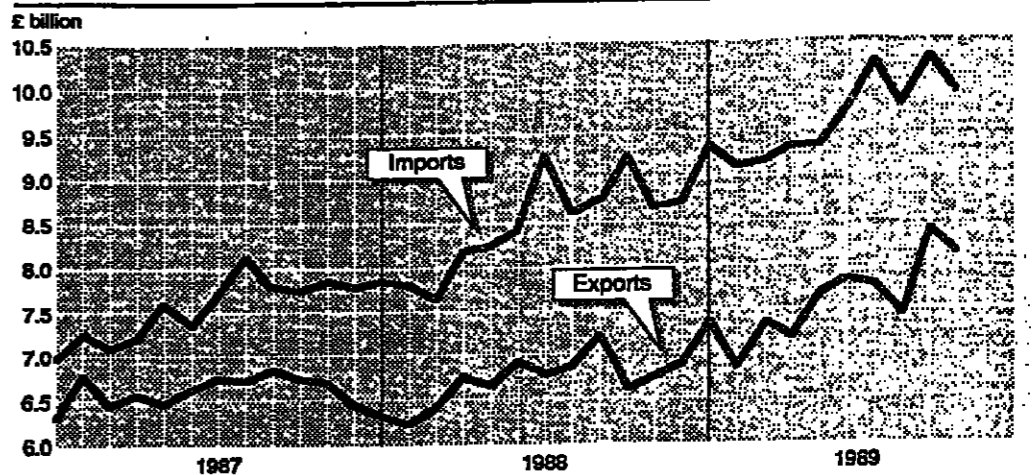
Dow Jones Industrial Averages



been quite specific reasons why the semiconductor and mining groups as well as the industrial conglomerates have performed particularly well in the last few days. Conglomerates have taken their cue from General Electric, benefitting not only from the massive share repurchase programme announced by GE a week ago but also, indirectly, from the takeover bid for Combustion Engineering by Europe's Asea-Brown Boveri.

for US electricity generating capacity in the decade ahead. The strength of the semiconductor groups was even easier to account for. The semiconductor stocks, many of which had recently plummeted to lows not seen since the 1982 recession, were badly oversold. What really set the industry slight, however, was the revelation that Texas Instruments, the original inventor of the silicon chip, had won a landmark patent case in Japan. In the theory, the legal victory could force every company in the Japanese electronics industry to pay TI royalties for up to 20 years to come.

UK trade balance



three months to October, compared with the 8 per cent rise in imports. Tentative progress, indeed. But any absence of bad news can be taken as good news these days.

McCaughan Dyson, it suggests a grim Christmas for at least some City players. There were signs of desperation around. For two weeks, the tale of an impending Barclay brothers bid for Williams Holdings has been hawked around national newspapers, until one finally swallowed the story - with the result that Williams shares jumped sharply on Wednesday morning before denials were duly issued.

If retrenchment continues, a long, dreary winter is in prospect

dismiss rumours of a Department of Trade and Industry move to restructure the likes of Boots, Rothmans, BAA and BAT Industries all reported earnings growth of 15 per cent-plus. Moreover, S.G. Warburg, reaping its £20m-plus fee from the £2bn Icosoc/ Gateway bid battle, proved that even parts of the City can

continue to flourish, with first half profits more than doubled at £102.5m. But it is questionable, given short-term accounting leeway, how relevant much of current corporate reporting is. The problem, after all, is not what has happened over the past six or 12 months, but what will be announced a year from now. And, amid the seeping unease, there was one significant profit warning last week - from Farmac. Its housebuilding activities place it at the sharp end of the downturn in consumer spending. Profits this year, said the group, will be down, with the result that analysts sliced forecasts from around £40m-£42m to around £37m.

Nikki Tait

JUNIOR MARKETS

Medirace sets a brisk pace

IT'S A STORY that could form the plot of a television drama. The starting point would be the late 1970s when a group of four scientists working at a London hospital make a breakthrough in understanding cancer cells and how they spread. Then skip five years to a time when their research programme risks being stifled by a shortage of funds.

At this point, a couple of Australian financiers enter the scene and take the company onto the stock market. Then it turns acquirer and, after a certain amount of intrigue, buys a clutch of other research companies.

This ends in a mega-merger that catapults its market value above £1bn. A new pharmaceutical company has been born. The real-life model for this drama is Medirace, which this week announced an \$87m acquisition of Evans Health-care, a private medicine and vaccine company. This deal will allow it to leap-frog from the third market to the big league.

To some investors, Medirace's swift rise has a slight air of unreality about it. They could be partly right. This deal is the result of a series of acquisitions, many of them in the biotech start-up companies that started out on the junior markets has been abysmal. And the volatility of Medirace's share price might suggest a highly speculative investment.

In the past year, Medirace has bought Cambridge Life Sciences and Walker Laboratories, which are developing diagnostic products. Its ambitious acquisition of Evans apparently was agreed as the company, the subject of a management buy-out from Glaxo in 1986 - suffered from the level of its interest repayments.

Evans makes human vaccines and medicines such as Mycil, Dequacaine and Nylax. The acquisition will alter dramatically the shape of Medirace's business and will help finance its research activities by generating cash.

Meanwhile, Medirace is continuing with its research into its Contracran treatment, which is intended to correct fatty acid abnormalities in cell membranes and so reduce the rate of cell division of patients with AIDS and cancer.

Reports on clinical trials with cancer patients suggest that a significant number had no progression in the size of their tumours and, further, that there was a (largely unexpected) reduction of pain. The company hopes to get a clinical trial exemption certificate early next year. At that point, Medirace could enter talks about licensing the product to larger companies for sale and marketing.

Vanessa Houlder

Airports and water a tonic mix for granny

WHEN, in pre-regulation days, telephones worked, AT&T - or 'Ma Bell' as it was then popularly known - was the ultimate 'granny stock.'

The generous yields on the shares of the 10 UK water companies to be floated next month, coupled with the well-defined regulatory regime for these privatised utilities, have turned them into what analysts like to describe as 'good defensive stocks' - at least for shareholders, if not necessarily for consumers.

ports Authority, added some gloss to its stock this week by announcing a 17.7 per cent increase in first-half pre-tax profits from £158m to £186m and, more significantly, a 28.6 per cent increase in its interim dividend, signalling its confidence in the future.

Like water, airports have traditionally been regarded as boring by the City - another reassuring sign for the long-term, cautious, small investor. But, unlike water, they have never slotted readily into a specific stock category. Some regard airports as travel or transport stocks; others as property assets; and an increasing majority as utilities.

Ian Wild, of Barclays de Zoete Wedd (BZW), says: 'The difference is that you are talking of a growth rate of 1 to 2 per cent a year for water and, according to IATA (the international Air Transport Association), of 7 per cent growth for airline passenger traffic.' Even with BAA's more conservative traffic forecasts of yearly passenger growth of

very good fundamental value,' Darwell says. Jennie Younger, another BZW analyst, adds that BAA is in a strong defensive position because the company is hedged against any UK economic downturn in view of the international nature of the airline business. BAA faces no competition, and Younger believes that

share, coupled with a 15 per cent limit on individual shareholdings, seems to put on ice, for the time being at least, any scope for a bid even though Michael Ashcroft's ADT electronic security and car auction group has accumulated a 6.1 per cent stake in the company.

There are, however, some uncertainties on the horizon. The biggest is the 'Stansted effect' which is likely to depress profit growth in 1991-92 because of the cost of building a £39m terminal at Stansted Airport. The company will face an even more onerous investment before the turn of the century with the construction of another new terminal, either at Heathrow or Stansted, likely to cost as much as £1bn. But, as Sir Norman Payne, BAA's chairman, said last week, BAA is a long-term business with long-term investments.

in part to offset the impact of these heavy investment costs, BAA is expanding its property and hotel businesses,

which are expected to make growing contributions to overall profits. But Sir Norman emphasises that airports remain the core activity, accounting for 90 per cent of the group's turnover. An eventual government decision on the controversial issue of Scottish Lowlands airports, giving Glasgow the go-ahead to operate scheduled transatlantic flights, is likely to provide a further fillip for BAA. But, in the longer term, it is expected to lock overseas future major airport growth opportunities. Sir Norman makes no secret that he is eyeing with growing interest the US, the Western world's biggest airline market.

In the meantime, he still has to find a new chief executive to fill the post early next year. But perhaps the most interesting question of all is who will eventually succeed the veteran head of BAA as chairman.

Paul Betts

Both have high-quality earnings, both are capital intensive and both are long life assets.

between 2.7 and 4.3 per cent at its seven airports, this implies a doubling of passenger traffic between now and 2005. Unlike the feast-and-famine airline industry, airports are not affected by drops in an individual airline's passenger load factor since overall passenger volumes are set to advance above GDP growth. 'BAA is locked into a growth market and that's what gives it

earlier speculation that the Monopolies and Mergers Commission would intervene in BAA was totally unfounded. The UK Government appears to have given further assurance that it does not intend to split up BAA by confirming it has no plans to abandon its special share in the company, which protects the airport group from hostile takeover. The indefinite 'golden

FINANCE & THE FAMILY

Spoilt for choice in unit trusts

THE PRIVATE investor who wants to place his money in a Japanese unit trust is spoilt for choice with 70 or so funds to choose from. In fact, the field can be narrowed considerably: only a handful of managers' names stand out as consistently strong performers - Schroder, Kleinwort Benson, GT and Fidelity (for its Special Situations fund), as the accompanying table of those groups with funds over £25m shows.

Schroder's stable of Japanese funds has shown a strong performance over several companies and the group's own unit trusts are Schroder Japanese Smaller Companies and Schroder Tokyo, which are both managed from its Tokyo office.

It also runs NM's Japan Smaller Companies Unit Trust in tandem with its own, and, until September, Schroder managed NM's Tokyo fund, too.

From May to September, the strongest burst in performance came from the several companies and special situations part of the market, giving a boost to those unit trusts which concentrate on these areas.

medium-sized companies (those with a market capitalisation of about £1bn) in its mainline fund (KB Japan).

"We've steered clear of financials because inflationary pressures dictated that interest rates would go up," says Sarah Nainby-Luxmoore, of KB's Far East fund management team.

Peter Pleydell-Bouverie, who manages Fidelity's Japan Special Situations fund, has recently taken on the management of the group's Japan fund (which has not performed well over the past five years) and was clearly in need of a shake-up.

He says that 1988 was a difficult year to beat the index: "The large capitalisation liquidity drives the market, and for a large slice of last year in the same way. In the last 12 months Tokyo has been an active stock-picker's market".

In future, the Mercury fund will be more actively managed rather than being a passive index-oriented portfolio. Until

lagged behind." Pleydell-Bouverie says he aims to keep the funds fully invested. "The Special Situations fund has done well because a lot of smaller companies which were out of favour last year came back into force this year, and some exciting high-tech companies did particularly well."

The Special Situations fund is the largest Japanese unit trust with over £200m under management and is "more aggressively managed" than Fidelity's Japan fund.

James Dawney, chairman of Mercury Fund Managers, describes Mercury Japan fund's performance as "bad."

Mercury mirrors the index and selects some stocks: it is not an index fund but is caught in the same way. In the last 12 months Tokyo has been an active stock-picker's market".

In future, the Mercury fund will be more actively managed rather than being a passive index-oriented portfolio. Until

April, Mercury Japan fund had a Japanese manager, but since then Mercury has appointed a new fund manager. "It needed a new broom - we don't change fund managers unless we have to," Dawney says.

It will be interesting to see if Mercury's performance perks up. Obviously, fund performance can fluctuate wildly: in fact, MIM Britannia's Japan Performance fund was the top performing fund over 10 years (out of eight funds), yet over one year it only ranked 37th out of 64 funds.

Finally, big is not always best: the funds listed in the table are the larger ones, with more than £25m under management. Among the smaller funds, Dunedin Japan Smaller Companies was the top performer over one year, while RFM Smaller Japanese Companies and Perpetual Japanese Growth have also good track records.

Sara Webb

PERFORMANCE OF JAPANESE UNIT TRUSTS

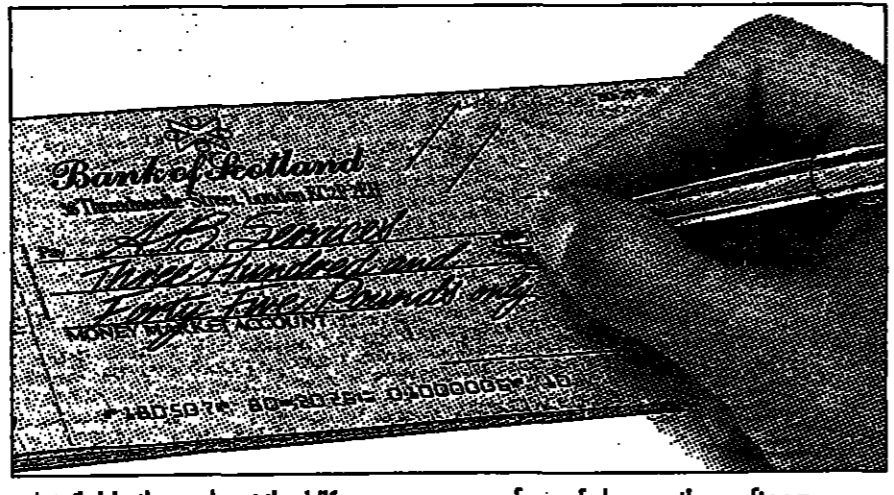
Fund name	Fund size £ million	('000, offer to bid, net income reinvested)				
		1 year	2 years	3 years	5 years	10 years
Abbey Japan Trust	£147.9	1,300 (24)	1,531 (30)	1,609 (37)	2,101 (36)	10,001 (5)
Allied Dunbar Japan	£124.7	1,206 (47)	1,488 (39)	1,473 (44)	2,636 (20)	-
Barclays Uniorn Jap & Gen	£104.7	1,125 (51)	1,430 (43)	1,838 (36)	2,631 (22)	-
Baring Japan Growth	£33.8	1,285 (25)	1,570 (25)	1,784 (22)	-	-
Baring Japan Sunrise	£28.5	1,285 (25)	1,570 (25)	1,784 (22)	-	-
Crown Japan	£48.5	1,338 (27)	1,588 (17)	2,329 (3)	-	-
Dimensional Japanese Small-C	£27.5	1,332 (7)	-	-	-	-
EFM Tokyo	£22.7	1,202 (46)	1,404 (50)	1,428 (48)	2,150 (35)	11,685 (4)
Fidelity Japan Sp Sits	£203.0	1,223 (43)	1,446 (42)	1,387 (50)	2,261 (34)	-
Fidelity Japan Sp Sits	£203.0	1,437 (12)	1,884 (8)	2,806 (1)	3,696 (6)	-
Franklin Jap & Gen	£43.2	1,381 (18)	1,835 (10)	1,908 (16)	3,090 (13)	-
Gartmore Japan	£31.4	1,301 (23)	1,562 (28)	1,345 (58)	2,423 (29)	-
GT Japan & Gen	£104.7	1,435 (19)	1,730 (12)	1,855 (18)	2,638 (14)	11,940 (3)
Henderson Japan	£119.2	1,224 (42)	1,416 (47)	1,379 (52)	2,806 (18)	11,031 (5)
Henderson Japan Spec. Sits.	£43.6	1,166 (55)	1,385 (57)	1,346 (54)	2,833 (21)	-
Kleinwort Ben Japan Special	£27.6	1,472 (10)	1,579 (5)	2,118 (8)	3,909 (5)	-
Kleinwort Ben Japan	£25.7	1,564 (5)	2,097 (2)	2,080 (10)	3,603 (7)	-
Mercury Japan	£25.2	1,098 (64)	1,153 (60)	1,151 (58)	2,389 (32)	-
Midland Japan Growth	£22.3	1,226 (25)	1,435 (37)	1,493 (45)	2,578 (24)	12,169 (2)
MIM Britannia Japan Part	£165.2	1,244 (57)	1,746 (14)	1,733 (25)	3,191 (11)	13,838 (1)
MIM Britannia Japan Sm Co's	£42.0	1,633 (8)	2,130 (1)	2,285 (2)	2,859 (17)	-
NM Japanese Smllr Cos	£26.6	1,816 (3)	2,033 (3)	2,243 (4)	4,938 (1)	-
NM Schroder Tokyo	£24.5	1,403 (15)	1,826 (11)	2,186 (7)	3,964 (4)	-
S & P Japan Growth	£130.4	1,205 (48)	1,403 (51)	1,461 (49)	2,903 (23)	9,950
S & P Japan Sm. Cos	£37.0	1,483 (11)	1,557 (27)	1,725 (28)	2,387 (31)	-
Schroder Japanese Smllr Cos	£41.8	1,578 (4)	1,988 (4)	2,191 (5)	4,823 (2)	-
Schroder Tokyo	£32.0	1,411 (14)	1,840 (9)	2,181 (8)	3,992 (3)	-
Scottish Equitable Japan	£30.4	1,220 (44)	1,528 (28)	1,520 (42)	-	-
Scottish Mutual Japanese	£20.5	1,153 (58)	1,408 (49)	-	-	-
Sun Life Japan Gth	£43.0	1,236 (38)	1,598 (24)	1,908 (17)	-	-
Wardley Japan	£31.0	1,234 (40)	1,800 (23)	1,901 (17)	3,584 (8)	-
Average/Total Funds	£40.8	1,204 (64)	1,581 (60)	1,733 (58)	2,953 (37)	11,278 (5)
FTM World Index Japan E	-	1,209 (1)	1,522 (1)	-	-	-
Tokyo New S E Index	-	1,240 (1)	1,442 (1)	1,913 (1)	3,130 (1)	5,997 (1)

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In keeping with the Japanese flavour to Weekend FT this week, our Tokyo office looks at the long-term prospects for the Tokyo stock market, while our Finance and the Family staff reviews what UK fund managers think about investment opportunities in Japan

Opinion is divided on market prospects in the 1990s Same again for Tokyo?



The Tokyo market: Crush for shares and rush for profits

INVESTING in the Tokyo stock market over the past few years has been a little like mountaineering. Each move forward looks simple until you see at what great heights it is being accomplished. Then vertigo sets in.

A British investor who bought a bundle of shares of leading Japanese companies on January 1 1980 would now be sitting on a profit of 456 per cent in terms of yen and 1,089 per cent in sterling terms.

The question at the end of the 1980s is whether the next decade can bring anything like the same returns.

Opinion among analysts in Tokyo is divided. Even the bulls are loathe to predict results quite as good as the 1980s, they suggest looking to developing countries for a repeat performance, although the risks in such markets can be as spectacular as the rewards. But there is solid support for the argument that Tokyo may continue to out-perform New York and London.

Nomura Securities, the world's largest stockbroker, has been bold enough to put its name to specific numbers. It says that, by the end of 1995, the Nikkei index of leading shares should reach at least 63,700 and could hit 81,700.

These predicted figures seem colossal in relation to yesterday's closing price of 38,494. A forecast in the middle of Nomura's range implies an average annual rate of average disposable income from ¥6.2m (£27,700) last year to ¥8.3m (£37,000) and average personal financial assets from ¥6.5m to ¥10.33m. In other words, there will continue to be plenty of funds available for investment on the stock market, even though the savings ratio - the proportion of income saved by the average family - is expected to fall slightly from 15.4 per cent to 13.9 per cent.

Japanese companies should be placed to take advantage of this growth. They are bursting with ideas in technology, marketing and production skills. Japanese are becoming increasingly sophisticated buyers of consumer goods, creating ever-new opportunities for industry.

One of the most popular ways of explaining the perfor-

value of land, particularly in Tokyo.

In other words, when financial conditions were right - chiefly when interest rates were falling - money poured into equities and land.

It is a mistake to rely too much on this wall-of-money argument, however. When conditions are unfavourable, money finds a rapid way of finding alternative homes. This year, long-term interest rates have risen - although not nearly as much as short-term rates - and the speed of money supply growth has eased. The yen has weakened. Lo and behold, Japanese investors have been more interested in foreign markets than in Tokyo. The 17 per cent increase in the Nikkei index this year has looked dull in comparison with London and New York.

It seems more than likely that Japanese investors, who are much more outward looking than 10 years ago, will be increasingly keen to invest abroad, so even if they invest more in equities than in the past, more of those equities could be American.

The point is that, even if the Japanese economy continues to grow faster than other countries', and even if Japanese investors have other funds available, they may go elsewhere. Neither can wholly explain why the Tokyo stock market has been so strong in the 1980s or why it should be strong in the 1990s.

This consideration has led to the conclusion that perhaps the sudden rise in Japanese asset values - land as well as stocks - in the 1980s is a one-off phenomenon to be followed by more moderate increases in future.

Andrew Smithers, of Warburg Securities, thinks so. In a special report, entitled "Return to Normality", he claims that Tokyo's exceptional gains in the last decade was due mainly to the fact that it was a capital importer to export in the early 1980s.

However, capital importers have to offer international investors above-average yields in order to compensate them for the risk of investing overseas. Capital exporters can live with lower domestic yields since the risks are reversed.

So Smithers argues that, instead of gaining 21.2 per cent a year as in the 1980s, returns in the Japanese equity market in future could be 8 to 11 per cent a year, if interest rates stay at current levels.

Stefan Wagstyl

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FINANCE & THE FAMILY

The Week Ahead

Hanson hopes for £1bn

HANSON, the UK's most famous predatory conglomerate and owner of Consolidated Gold Fields following a £3.5bn bid last summer, is expected by analysts to top the £1bn pre-tax profits mark for the first time when the group - chaired by Lord Hanson - reports full-year figures on Wednesday. Estimates range around the £1.03bn to £1.05bn level.

However, attention is likely to focus on the Gold Fields assets, with analysts attempting to glean more information about the timetable for further disposals and, given the fluctuating gold price, profit potential.

The Hanson disposal machine has already swung into action, with the two asset sales announced this week bringing proceeds from the Gold Fields sales so far to over £1bn.

The long series of markedly higher results from property companies will continue when MEPC, the second largest of the UK property groups, announces a rise in its net asset value to around 80p a share from 77p. Pre-tax profits could rise 25 per cent from the £104.5m recorded in the year to September 1988.

With a wide portfolio and an extensive development programme MEPC has been in a good position to benefit from the rise in commercial property values. Returns might be starting to slip now and property companies shares are on a sharp discount to net asset value but MEPC has the protection of 20 per cent of its portfolio overseas.

Bass, the UK's biggest brewer, is expected to report full year pre-tax profits of £58m on Wednesday, boosted by around £9m of property disposals and an extra week's trading, worth some £15m. After the strong, benchmark performance set by Whitbread earlier this week, analysts are looking for a 22 per cent

increase in trading profits. Pubs and brewing are expected to contribute £350m, reflecting the benefits not only of a hot summer but also of heavy advertising.

Allied Lyons reports interim figures on Tuesday and analysts expect six month pre-tax profits of £260m compared with £288m last time. City interest is likely to focus on the outcome of the group's strategy review for its food division in the light of last week's £200m offer for Dunkin' Donuts, the US coffee and doughnut chain.

A sweet profits improvement of nearly 60 per cent is expected to come from Tate & Lyle, the sweeteners group, when it

announces its full-year results on Wednesday.

Pre-tax profit is expected to rise from £120m to about £190m for the 12 months to September 30, fed by acquisitions. The most significant will be the first full-year contribution from Staley Continental, the US corn syrup subsidiary.

Other purchases being digested are Amstar, the US cane sugar company, and the increased stake in CST, the European starch and sweeteners concern.

The worry in all this is gearing, which is thought to have peaked at more than 300 per cent after the purchase of the back of Redpath, in Canada, that Tate did not own. News of the imminent sale of that subsidiary's automotive parts business would be welcome.

The Royal Bank of Scotland is due to report its latest full year figures next Thursday. The Royal will have to follow the other clearing banks in making heavy provision for Third World debt and this is likely to leave its profits unchanged around last year's £308m mark.

Half-year results from BPE Industries due on Thursday should provide further evidence of how the sharp fall in UK house building has hit building material companies. Analysts are forecasting pre-tax profits of between £7m to £8.5m compared with £104.1m this time last year for Europe's biggest plasterboard manufacturer.

The fall in UK residential repair, maintenance and improvement work has prob-

ably been more damaging to plasterboard sales than has the fall in new housebuilding. BPE is also facing its first real competition for years in the UK market. Knight of West Germany and Redland of the UK in joint venture with CSR of Australia will have won market share this year. The difference between half year forecasts for BPE is due to uncertainty over how much redundancy costs may have diminished profits.

Vesper Thornycroft, the warship builder, announces interim results on Wednesday with analysts expecting pre-tax profits of about £5m compared with £4.5m last time. The group, which specialises in the construction of minesweepers, has built up its order book to about £500m and contracts stretch well into the future.

Wednesday's results announcement will be watched closely for news of a £500m order with the bulk of turnover coming from outside the UK, should have provided protection against the slowing UK economy, as should its high replacement content. But analysts will be watching to see if the bulk of turnover comes from outside the UK, should have provided protection against the slowing UK economy, as should its high replacement content.

Results from two food retailers this week should demonstrate again that this is the most resilient area of retailing. Asya, announcing interims for the six months to end-September, has now broken the back of its programme to convert its Presto stores to the Safeway format it acquired in early 1987, and the exceptional costs involved are falling. The shares have been weak lately as analysts have raised doubts over whether the conversion plan is working in Scotland and the north-east of England. The company will hope to quash these rumours on Tuesday, when it is expected to show profits after exceptional up more than 30 per cent to around £12m.

Kwik Save is the other food retailer reporting, with results for the year to end August due on Wednesday. The first half results showed a surprising one-third increase, including volume gains of 12 per cent in its like-for-like stores, analysts are expecting a similarly strong performance in the second half. Forecasts are for pre-tax profits of up to £7m, up from £5.2m.

Who got salaries plus bonuses based on the business they're trading in.

As a result, its costs for obtaining business are one of the lowest in the life assurance field.

A recent review of its operating costs for unit trusts has shown a similar pattern. Equitable has found it can still sell unit trusts profitably with 5 per cent initial and 0.5 per cent annual management charges.

Shawn Khimis, the marketing director, is adamant that with-profit policyholders will not be subsidising unit trust sales, and that the cut in charges will not mean a reduction in investment resources.

He is confident Equitable can sustain its good track performance record: the Micropal survey placed it third of 94 groups over the period September 1987 to September 1988.

RESULTS DUE

Company	Announcement date	Dividend (p)	Last year	This year
		Int.	Final	Int.
FINAL DIVIDENDS				
Bass	Wednesday	5.4	18.1	7.0
Best Brothers	Monday	1.4	2.45	1.55
Barnett and Fountall Group	Tuesday	1.2	0.7	1.32
Circaprint Holdings	Tuesday	2.1	2.4	5.4
Dunoon & London Inv.Trust	Wednesday	2.8	5.0	2.5
Hanson	Wednesday	2.4	5.4	3.2
Kwik Save Group	Tuesday	2.7	5.3	2.7
Leeds Group	Thursday	3.5	6.5	3.8
Lyons Irish Holdings IS	Thursday	8.5	11.0	4.75
MEPC	Wednesday	-	3.0	0.5
Multitrust	Thursday	1.0	3.0	1.5
Parway Group	Wednesday	0.80	0.80	0.80
Parpetex	Thursday	-	6.0	3.0
Royal Bank of Scotland	Thursday	5.3	8.7	6.0
SAC International	Tuesday	1.5	2.5	1.5
Sandercock Electronics	Wednesday	1.40	3.0	2.10
Tate and Lyle	Wednesday	2.50	18.5	2.50
Young H Holdings	Tuesday	1.4	4.0	2.0

Company	Announcement date	Dividend (p)	Last year	This year
		Int.	Final	Int.
INTERIM DIVIDENDS				
Allen	Wednesday	2.1	4.1	-
Argyl Group	Thursday	3.75	7.0	-
SPB Industries	Thursday	1.75	4.35	-
Casings	Thursday	2.5	6.5	-
Chamberlain and Hill	Wednesday	2.85	5.95	-
Dawson International	Thursday	3.5	8.2	-
Caladonian Investments	Thursday	2.8	8.2	-
Cheney International	Friday	0.55	1.5	-
Chloride Group	Friday	0.4	1.1	-
Ege Group	Thursday	1.8	4.35	-
Kewell House Group	Wednesday	1.0	3.5	-
FG	Wednesday	1.7	3.75	-
Foster John and Son	Monday	1.2	2.8	-
Heaton	Monday	1.5	3.0	-
Jarvis Porter	Thursday	1.2	2.8	-
M&D Group	Monday	1.2	2.8	-
Mansfield Brewery	Thursday	6.75	2.25	-
Merrydown Wine	Monday	1.0	5.5	-
Morris Investment Trust	Monday	1.5	5.5	-
Mountain Estates	Friday	2.0	7.5	-
NEC Corporation	Tuesday	4.5	4.5	-
NSA	Monday	2.0	3.9	-
Palmer and Little	Thursday	1.05	2.45	-
Penny and Giles International	Monday	2.0	4.5	-
Property Partnerships	Thursday	0.5	1.2	-
Racal Group	Friday	1.5	4.5	-
Reliance Security	Thursday	2.1	4.5	-
Rolls & Nolan Computer	Thursday	2.54	6.23	-
Scania Group	Wednesday	1.2	2.3	-
Select Appointments	Thursday	1.0	1.0	-
Shanks and Midway Group	Thursday	3.575	6.0	-
Siebel	Thursday	0.55	1.55	-
Stoddard Sevens International	Monday	0.65	0.8	-
Text Holdings	Monday	1.2	1.8	-
Trinova Finance	Wednesday	0.65	0.8	-
United Industries	Thursday	2.2	1.8	-
Vesper Thornycroft	Wednesday	2.75	5.75	-
Verson International	Thursday	0.175	0.4	-
Vibronet	Monday	1.02	1.58	-
Wardell Roberts	Monday	1.4	1.8	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issues & Japanese Yen/£ Irish punts.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Share price (p)	Dividend (p)
Anglo Irish Bk	Sept	3,700 (2,230)	5.65 (3.4)	3.2 (3.2)
Apollo Metals	Sept	1,530 (327)	3.90 (2.70)	1.33 (1.33)
Blenheim Estates	Aug	9,600 (4,100)	15.2 (8.10)	8.0 (8.0)
Control Techniques	Sept	4,420 (2,650)	16.5 (13.0)	3.7 (3.0)
Capital Radio	Sept	15,040 (9,253)	62.1 (37.2)	12.0 (7.0)
Caspen Oil	July	2,280 L (3,030 L)	-	-
Diploma	Sept	18,500 (19,300)	22.3 (20.7)	8.25 (8.25)
F & C Eurotrust	Sept	415 (321)	2.9 (2.66)	2.18 (2.2)
First Nat. Tel. & Media	Oct	911 (42.1)	42.1 (41.8)	5.25 (4.4)
London Overseas	Sept	742 (335)	0.07 (0.19)	0.8 (1.2)
Meridian	Sept	8,620 (8,150)	63.4 (58.6)	7.1 (8.25)
Merborough Plant	Sept	359 (306)	1.89 (1.73)	1.5 (1.5)
Radio Clyde	Sept	1,550 (1,520)	20.4 (16.8)	7.5 (6.75)
Roseburgh	June	38,000 (30,880)	36.0 (46.5)	2.0 (1.2)
Scottish Inv. Tel.	Oct	13,340 (11,800)	3.7 (3.17)	2.25 (2.2)
Scottish Nat. Bk	Sept	13,530 (13,530)	7.59 (7.59)	2.6 (2.4)
Shant Group	July	2,510 (2,223)	11.3 (10.4)	2.4 (1.8)
Skidlaw Group	Sept	7,100 (6,150)	17.4 (14.1)	4.7 (4.25)
Strathgairn Group	Aug	1,310 (903)	26.2 (11.7)	3.5 (3.0)
Tate & Lyle	Sept	176,500 (155,000)	34.4 (30.5)	8.92 (7.45)
Tuesday Estates	July	1,020 (1,020)	11.8 (11.8)	1.5 (1.5)
Wyndham Group	Sept	1,450 (585)	20.0 (14.2)	4.50 (3.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Share price (p)	Dividend (p)
Allen Paul	Sept	510 (324)	0.9	(-)
Amber Ind. Holdings	Sept	984 (703)	4.4	(3.75)
BAA	Sept	186,000 (186,000)	4.4	(3.5)
Batcock Int.	Sept	20,000 (18,010)	1.2	(-)
BAT Industries *	Sept	448,000 (370,247)	10.3	(7.8)
Barton Group	Sept	8,560 (8,385)	0.98	(0.82)
Beecham	July	959 L (923 L)	6.0	(5.4)
BET	Sept	144,800 (120,200)	4.0	(3.5)
Bechtel Develop.	Sept	129 (85)	-	(-)
Black Arrow Group	Sept	1,790 (1,888)	1.0	(1.0)
Boots	Sept	158,500 (132,748)	3.86	(3.5)
British Telecom	Sept	1,370 (1,353)	0.85	(0.8)
AF Bulgin	July	227 (442)	-	(-)
Cable & Wireless	Sept	241,000 (197,540)	3.1	(2.82)
Color Group	Sept	8,000 (11,800)	8.0	(6.0)
Chemistry	Sept	2,850 (2,850)	3.1	(2.5)
Chemical Methods Ast	June	577 L (1,220)	-	(-)
Chirlife Group	June	608 (2,680)	1.4	(1.4)
City of London FR	Sept	470 (376)	0.95	(0.75)
City Microsystems	Sept	1,520 (1,460)	6.0	(5.5)
Cosalt	Sept	8,040 (8,170)	6.0	(5.5)
Courtauld	June	86,600 (98,100)	3.1	(2.8)
Eibro	June	2,000 (1,500)	3.0	(3.0)
EMAP	Sept	18,370 (14,236)	1.72	(1.43)
Gibson Lyons Group	Sept	702 (628)	1.9	(1.7)
A.Goldberg	Sept	4,590 L (344)	-	(-)
Govett American	Sept	5,580 (4,110)	-	(-)
Granping Television	Aug	1,050 (981)	0.7	(0.80)
Harwell	Aug	5,310 (5,270)	1.0	(1.0)
Hogg Robinson	Sept	6,800 (6,800)	2.0	(2.0)
IWP International	Sept	4,800 (6,820)	2.6	(1.9)
KCA Drilling	June	1,570 (1,500)	-	(-)
Kewell Systems	July	1,150 (725)	1.11	(0.84)
Marston Thompson	Sept	8,040 (7,820)	1.11	(1.05)
Normans Group	Sept	1,980 (2,130)	1.1	(1.05)
Personnel Assets Tel	Oct	111 (180)	-	(-)
Powell Duffryn	Sept	13,220 (13,520)	8.6	(8.0)
Readicut Int.	Sept	8,600 (8,700)	0.58	(0.57)
Reflex Investments	Oct	1,020 (429)	0.88	(0.45)
Reynolds	Sept	603 (946)	0.7	(0.7)
Rothmans Int.	Sept	189,100 (155,798)	6.2	(3.5)
Sandwich Holdings	Sept	3,100 (1,430)	0.71	(0.55)
Sedgwick Group *	Sept	75,300 (70,800)	0.5	(0.5)
Sirling Group	Sept	1,510 (1,580)	0.5	(0.5)
TR Property	Sept	3,490 (2,280)	0.6	(0.35)
Vision Group	Sept	1,170 (1,450)	1.45	(1.45)
Voter Group	Sept	4,250 (4,020)	0.6	(0.6)
Waddington (John)	Sept	9,040 (9,200)	3.6	(3.4)
Walker & Sait	Sept	191 (436)	-	(-)
Wilsons	Sept	708 (708)	-	(-)
Warburg	June	102,500 (701)	0.1	(-)
SW Wood	Sept	1,520 L (782)	4.5	(3.7)
Young & Co's Brewery	Sept	2,600 (2,420)	5.5	(4.7)
Whitbread	Aug	123,500 (11,514)	3.8	(3.25)

(Figures in parentheses are for the corresponding period.) *Dividends are shown net pence per share, except where otherwise indicated. L = loss; - Not Asses. Third quarter. † Net revenue. ‡ 1984 & Previous 18 month period.

RIGHTS ISSUES

Amersham Energy is to raise £265,000 via a rights issue of 19,74m new ordinary shares.

Andaman Resources is to raise £268,000 via a 2-for-3 rights issue of 50p per share.

Biscuits Holdings is to join 3rd market in a placing to raise £2m. Micklethwait Group is to join the USA via a placing of 4.4m shares at 75p. Nicholls to raise £14.5m.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Boone Holdings is to join 3rd market in a placing to raise £2m. Micklethwait Group is to join the USA via a placing of 4.4m shares at 75p. Nicholls to raise £14.5m.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price bid	Value of bid per share**	Bidder
Costas Bros.	470*	483	477	301.55	Orban
Heater	282½	288	225	165.3	Adia
Higgs & Hill	407	403	302	137.8	Lovell (V.J.)
Highland Pipelines	200*	185	185	72.80	Corrimal Tel.
PL Info. Tech.†	44	44	22	13.65	Apuril Comp.
Jaguar	850*	832	747	1.60n	Ford
Monotype	150*	155	110	32.0	Poinphus
Peat Group	600*	630	582	1.20n	AMP
Rothmans Int.	500½	651	638	1.30n	Richmond
Toshiba (PLW)†	675*	655	480	4.72	Adams Ind.
Tramway	85	85	85	3.01	Sidley
UK Paper	350*	350	286	263.1	Metc-Servis
Wade Poteries	1508	758	123	18.41	Beauford

*All cash offers. †Cash alternative. ‡Partial bid. §For capital not already held. ¶Conditional. **Based on 2.30pm prices 24/11/89. †A† suspension. ‡§Share and cash. †n Unlisted loan notes, mat

FINANCE & THE FAMILY

Working 'toys' for the hyper-rich boys

IT CAN BE difficult choosing a Christmas present for the hyper-rich investor who has squandered his money already on a variety of electronic gadgetry.

For someone who wants up-to-the-minute information about his shares, there is a screen service run by the London Stock Exchange called Market Eye. This was launched (some might say inauspiciously) soon after the 1987 stock market collapse.

You can set up to 200 high/low mid-prices for any share shown on the service. Then, when the price passes through the specified threshold, an alarm goes off and the share name is highlighted on the screen. You can also programme the pages so they display the latest price movements in your own share portfolio.

Market Eye is a real-time price information service, showing the mid-prices and best bid and ask prices for more than 2,500 UK shares as well as providing information about which shares have been suspended.

The gilts service shows prices at the previous day's close as well as present prices. Investors can also call up exchange rates (with the previous close and latest price) and

indices such as the FT-SE 100, FT 30, FT 500, FT All-Share, Dow Jones, Nikkei and Hang Seng.

Market Eye carries prices for about 300 international securities which are traded in London, and shows the best bid and ask prices from the previous day's close together with latest best quotations. Other pages include the 18 best and worst performers of the day, and the exchange is considering expanding its service to include traded options.

The annual rental and service charge for a Market Eye terminal is £1,891.50, or you can buy a stand-alone terminal for £1,444.25 (you then have to pay an annual service and information charge of £314.25). Alternatively, if you have your own IBM personal computer, the Stock Exchange can supply a decoder for £78. The annual service and information charge on top of that is £214.25.

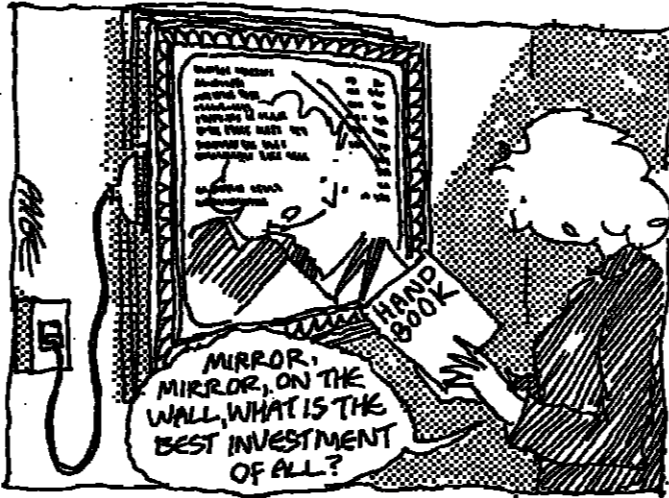
So far, the exchange has sold or rented about 2,000 sets to private and professional investors as well as to share-dealing services. And it has just installed Market Eye in the British Airways executive lounges at Heathrow, Glasgow, Edinburgh, Newcastle, Belfast, Manchester, and Birmingham.

DO you need to track down press clippings quickly and

often for your job? Profile is an electronic information service, owned by the Financial Times. You can trace information from a wide variety of sources including the FT, The Economist, Business Week, Mintel Market Research reports, McCarthy Information (which monitors the international press and publishes company fact sheets), Jordans company reports, the Asahi News Service, Associated Press, the Dow Jones News Database, The Guardian, The Independent, the Daily and Sunday Telegraphs, The Times and Sunday Times, Today, the Washington Post, Tass and the New Scientist.

You can also call up today's FT from midnight (allowing you to read the paper before you go to bed rather than when you wake up). So, using Profile, customers in the Far East can read the FT on the morning of publication while those in the US can read it the previous evening. Or, if you want to see what the FT has written about a particular company every day, you can arrange for the relevant articles to be sent to your own electronic box each morning.

To use Profile, you need an IBM-compatible personal computer, a modem, communications software and (optional) a



printer. You can search the files in a few seconds using a keyword to trace articles on a particular topic, and then you either print them out at home or have them printed and sent to you.

It costs £150 to register and learn how to use the system. After that, you pay according to how much you use the service. It costs £1 for every minute you are connected and then you pay for the number of lines you call up on display - which would be about 70p for

the average article displayed, but considerably more if you wanted to call up everything published on, say, eastern Europe in the past month.

FOR the real forward-planner, here's a Christmas present that won't be ready until the year 2000: a hoghead of malt whisky. The Aberlour Glenlivet Distillery Company (part of Campbell Distillers, the UK subsidiary of Pernod Ricard) is offering a limited number of hoghead casks for £1,550.

Aberlour claims that if you invest in a cask of Aberlour today, you will have acquired the contents of a hoghead to be specially bottled in time for Hogmanay 1999 (New Year's eve in Scotland). You will then receive 360 bottles of 10-year-old Aberlour to celebrate the millennium.

Aberlour points out that its 10-year-old whisky sells for about £16 a bottle, whereas buying a hoghead now (for consumption 10 years hence) works out at £3.75 a bottle.

In fact, this is not really an investment, because it would be difficult to sell 360 single bottles of malt whisky and the distillers are not likely to be interested in buying it back off you. But it could solve your Christmas present dilemma in the year 2000 if your friends and business contacts add up to 360.

The offer is open to syndicates of up to five people (paying £270 each). Duty, shipping and VAT are payable on delivery. And the first 300 people to sign up will receive an individually numbered bottle of 25-year-old Aberlour (1964) packed in a wooden cask with a brass lock and key.

Sara Webb

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	Compounded return for taxpayers at 40%	Frequency of payment	Tax (see notes)	Amount invested (£)	Withdrawal (days)
CLEARING BANK							
Deposit account	5.00	5.10	4.08	monthly	1	500-4,999	0-7
High interest cheque	7.00	7.20	5.78	monthly	1	500-4,999	0
High interest cheque	9.00	9.40	7.52	monthly	1	10,000-49,999	0
High interest cheque	9.50	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	9.00	9.00	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.60	yearly	1	5,000	0
High interest access	9.75	9.75	7.80	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-9,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.85	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.06	yearly	2	5-100,000	1 mth
Income bonds	11.50	8.68	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.40	7.20	yearly	2	100 min.	3 mths
4th issue	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applica	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wegg	10.96	11.53	9.22	monthly	1	2,500	0
Provincial Bank	11.05	11.69	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
3pc Treasury 1991	12.99	10.29	8.02	half yearly	4	-	0
3pc Treasury 1992	12.08	9.95	8.88	half yearly	4	-	0
10.25pc Exchange 1995	11.07	8.45	8.88	half yearly	4	-	0
3pc Treasury 1990	12.21	11.43	10.56	half yearly	4	-	0
3pc Treasury 1992	10.11	9.27	8.77	half yearly	4	-	0
Index-linked 3pc1992/95	9.43	8.92	8.61	half yearly	2/4	-	0

*Lloyds Bank, Halifax 90-day, immediate access for balances over £5,000.†Special facility for extra £10,000. ‡Source: Phillips and Drew. ††Assumes 5.5 per cent inflation rate. † Paid after deduction of composite rate tax. ‡ Paid gross. † Tax free. † Dividends paid after deduction of basic rate tax.

Wanted: homes for loans

EACH YEAR about 65,000 foreign students arrive in the UK, find a place to live and have a look around campus. Their next move is to find a temporary home for their hard-earned savings or student loans.

However, many say that the seemingly straightforward process of opening a bank account often turns into a frustrating tale of woe. "The only reason the British don't complain as loudly is that they're not used to a better system," says Anita Milewicz, 33, a Canadian student at City University in London. "It is a completely antiquated system - and it's run like a private men's club," adds Anita, who said she felt discriminated against because she wasn't British. "This bust-

ness of needing references from the UK is ridiculous, especially if you have not lived here before."

Anita says that she was made to feel as though Barclays was doing her a favour by letting her open an account. She claims she was never told about student benefits - a pitfall to UK students - but was telephoned as soon as she was overdrawn by £50.

Muhammad Umar, 24, a student from Pakistan now at City University, claims that Lloyds would not let him open an account unless he had three UK references. "Lloyds made it quite simple," he says: no references, no account. "I almost felt they didn't want my money." Luckily, Muhammad had a brother living in London who acted as a referee. "In Pakistan, the procedure is simple compared to the UK. You can get a cheque book in one hour."

Most of the "Big Four" banks - Barclays, Lloyds, NatWest and Midland - go out of their way to portray themselves as caring, personal institutions, eager to satisfy the student's every need, from insurance to flexible overdraft arrangements. Competition is fierce for the business of UK students because most will stay on with their favourite bank after graduating from polytechnic or university. "We're willing to listen to students," claims Robert Jamieson, spokesman for NatWest, adding that NatWest does not discriminate between foreign and domestic students.

When asked what the rules on opening a student account were, a Barclays spokesman said that it was basically up to the discretion of each bank manager. He stressed the importance of the personal approach: "Foreign students are treated equally, but they have to prove that they can support themselves."

George Tavis, 22, a Greek student at City University, had a taste of the British banking system in his own country. When George asked the NatWest bank in Thessaloniki to wire funds to a branch in London, he said the manager told him it would be impossible, without offering an explanation. "Even now I can only receive money from Greece by mail; what happens if there is

a mail strike?" George spent seven hours at his branch in London trying to sort things out. "The problem was it was not their problem. The people at NatWest made me feel like I was a little schoolboy being spoken to by a headmaster." Neither did he appreciate waiting four weeks for a cheque book: "I don't want presents or money; I want better service."

Most foreign students thought that once they opened their accounts the rest would be smooth sailing. Kiana Shep, 25, a South African student at City University, was told by a NatWest employee that "£2,000 doesn't get you very far" when questioning the length of time it took to receive a cheque card.

"Another thing I found frustrating is that the banks don't explain things to me. They didn't tell me from day one that when you get your cheque book you still have to wait for your cheque card, and they didn't tell me about student benefits," says Kiana. "The banks should explain why they're being cautious to avoid unnecessary frustration."

Maria Levy, 25, a Canadian student at City University who set up an account at Midland, opened a savings account within a week but was told to wait six months for a cheque book. The bank wanted to see a "British banking history" first.

One only has to look as far as the glossy brochures to realise that the banks have students' best interests at heart. They offer cheap insurance, flexible overdrafts, free pens, wallets, personal organisers and cash incentives. However, many foreign students seem to view the whole process of opening a bank account as an exercise in futility. Many of the students interviewed felt that banking catch-phrases like flexibility and personal service meant absolutely nothing when it came down to doing business.

As one 24-year-old American student at City University put it: "If British banks spent less time handing out free personal organisers and money and more on simple things like opening current accounts, they'd be on the track to catching up with the rest of the Western world."

Jane Kokan

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FINANCE & THE FAMILY

John Edwards examines the deals available to savers

Maximising your interest

BUILDING SOCIETIES are no longer necessarily paying the highest rates of interest on deposits. In their efforts to keep the cost of mortgages down, the societies have also been forced to keep their investment rates down. As a result, many banks, particularly small ones with no mortgage commitments, are now offering very competitive rates.

You still get a lousy deal if you deposit small amounts, say under £500, on which both banks and building societies pay only a miserable 6 to 7 per cent. For larger amounts, however, you can receive between 11.5 to 12 per cent net - if you are prepared to lock your money away for a specified period.

There are also special opportunities if you are married with a spouse who has little or no income. Many new products coming to the market intend to enable married couples to take advantage of independent taxation from next April. However, you don't have to wait until then to act. In many cases the first payout of income or dividends comes after April 6, so you can earn tax-free interest starting from now.

Under existing regulations, all banks and building societies have to deduct composite rate tax (currently 21.75 per cent) from all interest paid to UK residents, and this tax cannot be reclaimed even by non-taxpayers.

If the deposit exceeds £50,000 and is subject to seven days notice of withdrawal, however, you can be paid interest gross. So if you are rich and trusting enough to transfer £50,000 into an account in your spouse's

name, the interest can be paid gross from April - he/she will be able to deduct personal and other allowances.

That's the easy way. For deposits under £50,000, it is more complicated - since there is a limited range of no-risk investments not subject to composite rate tax.

Nevertheless, the choice is growing. Several unit trust groups have introduced managed "cash funds." Unit trusts groups have not been particularly interested in "cash" funds so far - even though they have been permitted for some time - because there were not competitive with building society or bank accounts after deduction of charges.

Independent taxation has changed that. Although tax is deductible on the units at 26 per cent, a tax credit is provided so non-taxpayers can reclaim it and thus receive the interest gross.

Latest to jump on the bandwagon are Smith & Williamson, the private banking group, and Stewart Ivory, the Edinburgh based investment house. Both have launched UK-authorized unit (cash) trusts that invest purely in money market deposits with banks and financial institutions.

The S & W Cash Trust has an estimated initial yield of 14.8 per cent, however, only paid annually and there are some hefty charges if you only invest the minimum of £500. There is an initial charge of 5 per cent, which together with stamp duty, means there is spread of 5.5 per cent between the buying and selling price of the units (the bid/offer spread). An annual management charge of 1 per cent is also deducted from the fund.

Category	Bank	Account name	Amount	Gross CAR %	Base
Offshore £1,000	Abbey Nat Bank	Offshore 90 day	£1,000	13.62	Jersey
		Premium 90 day	£1,000	13.50	Gibraltar
		Offshore plus instant	£500	12.50	Jersey
Offshore £10,000	Midland Bank	High Int bond 6 mth	£2,000	14.90	Channel Is/IoM
		Premier saving 30 day	£5,000	14.55	Channel Is/IoM
Offshore £25,000	Bank of Scotland	MMCA Instant	£2,500	14.48	Jersey
		Crown Reserve 3 mth	£25,000	15.03	Channel Is/IoM
		High Int bond 6 mth	£2,000	14.90	Channel Is/IoM
	Midland Bank	Premier saving 30 day	£5,000	14.55	Channel Is/IoM

Category	Bank/building society	Account name	Min amount	Net CAR %
Immediate £1,000	Nad & Prov	Instant reserve	£500	9.75
		Instant savings	£500	9.80
Immediate £10,000	Barclays Bank	Prime	£1,000	9.52
		MMCA	£2,500	11.17
		Premium	£10,000	11.02
Immediate £25,000	Bradford & Bingley	Maximiser bonus	£25,000	11.19
		Premium	£2,500	11.17
3-month £1,000	Alliance & Leic B Soc	Instant reserve	£25,000	10.50
		Cap choice 3 month	£1,000	10.50
3-month £10,000	Bristol & West B Soc	No 1 Capital	£500	10.80
		Crown reserve	£10,000	11.19
3-month £25,000	NatWest Bank	High Int notice	£10,000	11.00
		Quantum Plus	£25,000	11.48
Long period £1,000	Alliance & Leic	Crown reserve	£25,000	11.25
		Cap choice 1 year	£1,000	11.50
Long period £10,000	Bradford & Bingley	Cap choice 6 month	£1,000	11.10
		Fixed term 1 year	£1,000	10.50
Long period £25,000	Bristol & West	Max Elite 14 month	£10,000	11.80
		Vantage bond 1 year	£10,000	11.80
	Abbey Nat Bank	Optimum bond 2 year	£10,000	11.80

Stewart Ivory estimates that at current rates of interest, the return provided by its cash fund will be between 13.8 to 14.8 per cent, depending on the size of the investment.

Interest is accumulated in the units, but investors who want regular income can withdraw the gain the units make each month, subject to a monthly minimum of £25, or withdraw a set sum each month. Standard rate tax is deducted at source. However, tax vouchers will be issued annually (first of all on May 15, 1990) so the tax can be reclaimed by non-taxpayers including spouses with low incomes, since the first distribution will not be made until after April 6 next year.

Conversely higher rate taxpayers can use their annual capital gains tax allowance and sell their units before April 6 to save the 15 per cent extra tax liability.

As it is a unit trust, if inflation reduces the real value of the original deposit, this is a capital loss to offset against any capital gains.

To stress it is a no-risk investment, the Savings Corporation do not have to carry the normal warning associated with unit trusts that the value of units can go down as well as up. The value of the capital sum invested cannot go down, although the rate of interest may fluctuate.

If you don't want to get involved in reclaiming tax, another alternative is to put your money into an offshore bank account in one of the tax havens like Jersey or the Isle of Man. Interest is automati-

cally paid gross, and you are only liable to pay tax when bringing it into the UK. If you are a non-taxpayer that is no problem. Even for taxpayers it is a way of deferring payment.

The downside, of course, is the inherent risk of investing abroad. The Jersey authorities, worried about the island's resources being strained by thousands of UK investors opening up small accounts, have clamped down on the promotion of these accounts in the UK, particularly through Abbey National and the other High Street banks. However, it is not illegal and there is nothing to prevent investors from making the most of the opportunity.

Cafer Allen, a discount house operating in the money markets since 1816, has just extended its range of high-interest accounts with the launch of the Consort deposit account, available in both London and Jersey. It does not have a cheque book facility and requires one month's notice for withdrawals.

The interest rate is reviewed weekly, but is currently 14.25 per cent gross, equivalent to 15.39 per cent on a compounded annual basis since interest is calculated daily and credited monthly. In London, deposits under £50,000 pay 11.15 per cent, after deduction of composite rate tax.

The minimum initial deposit is £5,000, and no interest will be paid if the cleared balance is below that figure.

Source: Bley's Money Master

Source: Bley's Money Master

Source: Bley's Money Master

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+ NEW FUND LAUNCH + NEW FUND LAUNCH + NEW

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This advertisement has been issued by Jarden Morgan SICAV and approved by Jarden Morgan Europe (UK) Limited, a member of The Securities Association.

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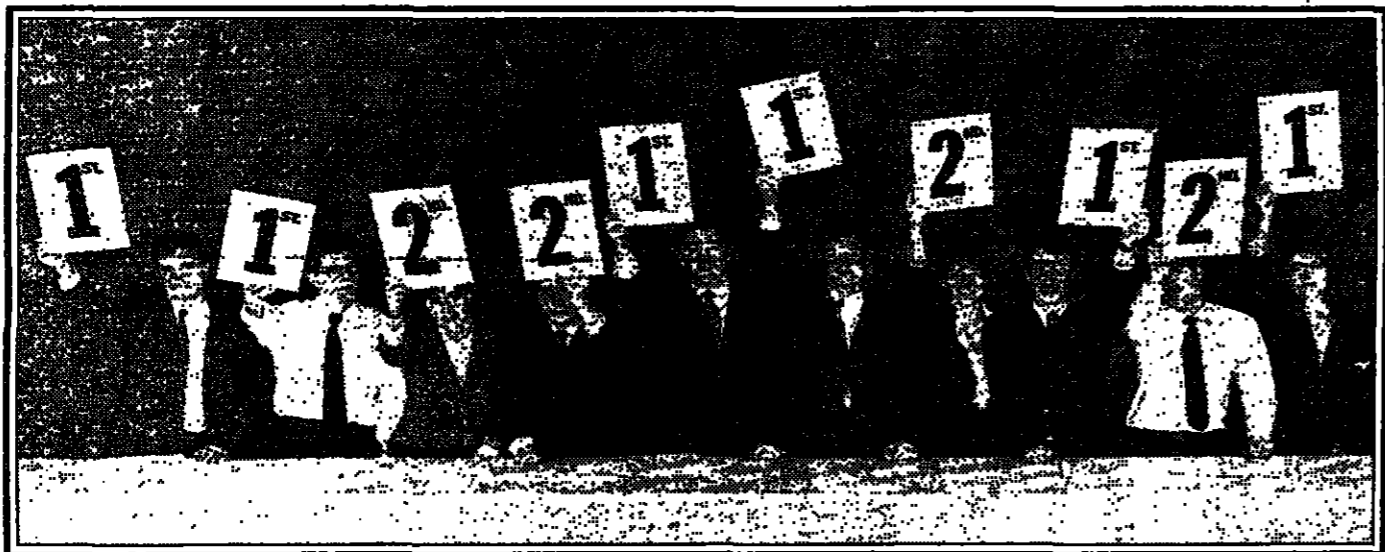
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The return of Midas

THERE HAS been much debate lately as to whether the so-called tracker funds follow accurately the index they are supposed to be tracking. But another way of following an index - and, at the same time, limiting any losses of your original capital - is the Johnson Fry Midas bond.

The company has decided to launch a second issue of the Midas bond while interest rates are high. It is a complicated product but it could fore-shadow the shape of things to come through using derivatives to offer reduced risks for investors who don't have the resources to play in the main markets.

High interest rates mean it is possible to invest in a fixed-interest security (in this case, a certificate of deposit) and use the interest earned to buy a one-year call option (from stockbrokers James Capel) on the New York or Tokyo stock market indices. That leaves a little bit to spare for a "performance multiplier" which provides an extra boost if the index rises enough to make it worthwhile exercising the option. If the index falls, all you have lost is the premium used to buy the option.

As an additional sweetener the bond is based offshore (in the Isle of Man) so that the interest on the certificate of deposit is not taxed. To a large extent, this offsets the management charges.

Minimum investment is £5,000 and you have to remain in the bond for a year, although you can decide to lock-in any profits made on the option after six or nine months. You can choose to follow either the Standard & Poors 500 index on the New York market, or the Nikkei Stock Average in Tokyo, or both if you invest £10,000.

With the Midas 100 bond, you are guaranteed to get all your original capital back even if the chosen index falls in value at the end of one year. But the 100 per cent guarantee limits the amount that can be used for investment. So, you can choose the Midas 90 version instead. This guarantees that you get back 90 per cent of your capital and, therefore, have a potentially bigger

reward with a larger performance multiplier. There is an initial charge of 5.76 per cent of the amount invested, plus a performance fee of 8 per cent of any profit made in addition to your original investment.

Johnson Fry's Charles Fry claims that the returns are superior to those made by most unit trusts, which are unable

to match the index, while at the same time limiting a client's potential losses.

There is a currency risk if the value of sterling rises but this affects only the profit made, not the return of the original capital that is invested in a sterling deposit.

John Edwards

NEW TAX LEGISLATION
HOW MUCH
COULD YOU SAVE?

COUPLE A	COUPLE B	COUPLE C
HUSBAND: Management consultant, 45 yrs old WIFE: Part time receptionist INCOME: Salary, bank and building society interest £58,800	HUSBAND: Pensioner, 70 years old WIFE: Pensioner, 60 years old INCOME: State and occupational pensions, building society interest £14,130	HUSBAND: Retired under manager, 65 years old WIFE: Non-working pensioner INCOME: Pension, investment and deposit income plus capital gains £30,830
Total tax liability from April 6: £17,471	Total tax liability from April 6: £2,438	Total tax liability from April 6: £18,277
POTENTIAL TAX SAVINGS following Burns-Anderson's Best Advice Strategy: £872	POTENTIAL TAX SAVINGS following Burns-Anderson's Best Advice Strategy: £1,182	POTENTIAL TAX SAVINGS following Burns-Anderson's Best Advice Strategy: £3,984

From next April, husbands and wives will be taxed independently. Which means that by simply recognizing your income, savings and investments you could make substantial savings on the tax you pay. Burns-Anderson have published a free guide explaining the new tax changes, and illustrating how independent financial advice can bring you significant financial advantages.

Act now to ensure you don't pay too much tax from next April. Return the coupon to obtain a free copy of Burns-Anderson's "Independent Taxation - A Practical Guide for Investors" and for details of your nearest member of The Burns-Anderson Independent Network PLC, the nationwide chain of truly independent financial advisers, or phone 0800 373719.

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PT25/11

BURNS-ANDERSON BEST ADVICE

Handwritten note: "Well noted"

EXPATRIATES

Big banks strengthen overseas services

BANKS HAVE always provided a somewhat sketchy service for British expatriates but competition is now hotting up.

The latest development, announced last week, was the intriguing announcement that Midland Bank and the Hongkong and Shanghai Bank group are combining forces to provide a package of financial management services for UK expatriates. Hongkong Bank has a near-15 per cent stake in the Midland but this is the first time they have got together in a banking venture.

The new package, which will be run from Jersey, replaces Midland's current expatriate package and will be offered to existing customers of both banks. It means that expatriates based in Brunei have the option of accessing the service through local Hong Kong Bank branches, whereas those in the United Arab Emirates will be able to use the local branches of the British Bank of the Middle East, another member of the Hongkong Bank group.

The service includes: an expatriate high interest bank account with money transfer facilities, paying between 9.55 per cent (for balances up to £2,000) and 13.10 per cent (on balances in excess of £50,000) gross at current interest rates; a selection of Midland/Wardley offshore unit trusts; a Midland Indigo Visa card or Hongkong Bank credit card or charge card; and fixed term deposits paying money market comparable rates. Other benefits include a 15 per cent discount on health insurance with Private Patients Plan, general insurance cover, mortgages on UK properties, plus investment and tax advice from Midland's personal financial services unit.

Interestingly, the official blurb from the two banks makes no mention of investment management services from James Capel, the research-strong stockbroking house currently owned by Hongkong Bank but subject to persistent rumours of an impending sale. The Hongkong Bank says that the omission of any reference to Capel's services is due simply to the fact that in many areas where Brit-

ish expatriates are located, especially the Middle and Far East, its Wardley fund management subsidiary is more active.

The three other traditional UK high street banks all have highly-developed expatriate packages. Earlier this year Lloyds used the Marbella Money Show as an opportunity to beef-up its expatriate services by launching its Overseas Club. Main features include a tiered interest-bearing account, overdraft facility, mortgage finance and property



management plus advice on investment, tax and pension planning.

An additional service that has just become available offers guidance on choosing schools in the UK. You provide details of the type of school required and the location or special subject, the bank then feeds this into a computer, and the computer comes up with an appropriate list of schools.

The basis of NatWest's Expatriate Service is a detailed questionnaire which is designed to elicit sufficient information on which to base advice on savings, investment, insurance and property. NatWest also places heavy emphasis on the importance of making a will before you leave the UK because of the practical necessity of ensuring you don't fall into inheritance tax traps.

Barclays maintains offices serving expatriates and other internationally-minded investors in locations such as Jersey, Gibraltar, Isle of Man and Grand Cayman. The full range of banking services is on offer together with less obvious add-ons such as investment management, offshore company formation and administration of a discretionary trust.

The Jersey-based TSB Channel Islands asks new expatriate clients to complete one of two questionnaires depending on whether they are going abroad to work or to retire. Both forms are designed to draw out a person's financial objectives.

Among the services offered by TSB is a two-day-notice deposit account available in several currencies and a telephone-linked home banking service called Speedlink, which can be used anywhere in the world to pay bills and transfer money between accounts.

Bank of Scotland offers to handle an expatriate's foreign and UK income, deal with tax returns and arrange pensions, investments and insurance from its Jersey office.

Recent developments in the expatriate market by Royal Bank of Scotland include the opening of an office in Gibraltar, jointly with Banco Santander of Spain, to serve the large expatriate community on the Costa del Sol.

Meanwhile, Abbey National - which still seems ambivalent about being described as a bank, which technically it now is - is planning an expansion to its range of products and services to expatriates from its Jersey office, once it gets to grips with its current role as a magnet for wives' savings under the forthcoming independent taxation regime.

Among other options, ANZ Grindlays Bank and Standard Chartered are much better known for the services they provide to expatriates than they are among UK residents. Both maintain offices in Jersey.

Peter Gartland

Peter Gartland is Editor of The International, the FT's magazine for expatriates.

Tax bill on estate

MY WIFE and I have separate wills but the provisions are the same; the trustees are to pay the income from the deceased's estate to the surviving spouse throughout his/her life and, thereafter, are to divide that estate equally between the daughter and son.

In view of inheritance tax, we have tried to hold the estate equally in the separate names of the spouses; the exception to this rule, however, is in the residence and funds in a building society account, which are in the joint names of my wife and myself.

1. When the surviving spouse receives the income from the deceased's estate, does this in any way affect the exempt portion of inheritance tax?

2. Will the survivor inherit the whole of the residence and the funds in the building society? If so, this would appear to defeat the plan to equalise the estates for tax purposes.

In the main, property passing to a surviving spouse under the intestacy rules, is exempt from inheritance tax. This extends to trusts created under the will, or intestacy, under which the surviving spouse has a life interest. Any such bequest to a surviving spouse does not affect the initial inheritance tax-free allowance for other property passing on death (now £118,000).

Whether the survivor would inherit the whole of the residence would depend on whether the property was owned by you as joint tenants or as tenants in common. If joint tenants, then the property would pass automatically to the survivor despite any requests you may have made to the contrary in your will.

If the property was held as tenants in common, then it would be owned by you in the proportions set out in the title, and it would be open to either spouse to leave that proportion under the terms of his or her will. The method by which the property is owned will be significant in relation to inheritance tax.

The legal title to the building society account will pass to the surviving spouse. However, if it can be established that the account was placed in joint names merely for convenience, then the monies in the account may form part of the estate of the provider. It is noted that the existing wills provide that, on the death of the first spouse, the survivor will

receive a life interest in the deceased spouse's estate which, after the survivor's death, will be divided equally between your children.

No inheritance tax will be payable on the death of the first spouse by reason of spouse exemption; and when the second party dies, the value of the trust fund thereby created will at that time be segregated with the value of the survivor's estate, with inheritance tax calculated on the value of the whole. The tax will be apportioned ratably between the trust and the estate of the survivor after allowing for the initial inheritance tax-free allowance.

There are steps that can be taken to mitigate the ultimate liability, such as utilising all or part of the inheritance tax-free allowance on the first death. Alternatively, you can make outright gifts or gifts in trust. If you die within three years of making such gifts then these are added back to your estate and inheritance tax is calculated accordingly; but if you survive the date of the gift by between three and seven years then a reduced amount of tax will be payable. After seven years, the gifts will be totally outside your estate.

Council has erred

FOR TWO years, we employed a lady as a live-in companion for my wife's very elderly mother, who lived in a flat. The companion had the use of a room plus a salary and a housekeeping allowance.

In August, my mother-in-law had an operation and would have needed nursing care for the rest of her days. On hearing this, the companion said she would be unable to cope. Although she was paid weekly, we decided to make her an ex-gratia payment of her wages and a housekeeping allowance until the end of September. When my mother-in-law died three weeks after the operation, we told the companion that she could continue to use her room until the end of September.

The companion then went to the housing department of the local council. It urged her to stay in the flat - even after the end of September - until it could find accommodation

for her. It also informed us that we could not evict her without a court order.

She is still there and, as we have put the flat on the market, the situation is a considerable embarrassment. What action would you advise?

We think the council's behaviour is both unwarranted and wrong in law. You should write and point out that, through the officer who told the housekeeper to stay on, it has been guilty of a conspiracy to induce a breach of contract and that you will hold it liable in damages for any loss that arises.

You should then (a) seek to persuade the companion to leave straight away and (b) consult a solicitor with a view to obtaining a court order requiring her to leave (based on her having had a service licence which has terminated). A speedy remedy is available under Order 24 of the County Court Rules.

Club rules don't count

I BELONG to a local golf club, which is a limited company. A dispute has arisen as to whether the Companies Act takes precedence over club rules. Social members, who are not permitted to play golf, have been excluded from the annual general meeting but claim they are shareholders in a limited company and entitled to attend and also to vote.

The provisions relating to company law are statutory and will prevail over any rules or other constitutional structure of the members' club. Shareholders would, therefore, be entitled to attend and vote if the shares are not classed as non-voting shares.

Assessing the risks

WHAT ARE the risks of transferring stocks and shares out of my name into nominees? My broker stresses the advantages, including savings on costs and administration, the simplicity of transferring stock and the ease of settling. But my solicitor urges caution, and the Stock Exchange complaints section mentions the

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

theoretical risks of broker default and insolvency.

What protection is there against insolvency? Are shares held in nominee part of the assets of the holding firm? If a firm and a client both hold the same share in nominee, and the firm goes bust after borrowing against its stock holding, might the client's share be vulnerable to creditors? Do all possible signatories of a transfer form have to be members of the Stock Exchange, thereby allowing access to its compensation fund, if required?

There is justification for the cautious advice you have received, if you want full protection. It can be very unclear how any given nominee actually holds the shares registered in their names and often there are different categories of holdings. It is by no means certain that all nominee holdings are not vulnerable to creditors; there can be considerable difficulty in identifying any particular client's block(s) of shares clearly enough to claim that they are impressed with a trust. If that cannot be established, the shares will be part of the assets of the holding firm.

Conflicting advice

I LIVE with my partner in a stable relationship with our child of 12. At the time we bought our house, his ex-wife was still raising difficulties over questions of maintenance, so the house was put in my name only to avoid the possibility that she might make a claim. Since then, she has taken a lump sum, all money has ceased and she has agreed to make no further claims.

We would like to regularise the ownership of the house but have received conflicting advice from the Inland Revenue as to the tax implications. Presumably, if I "give" him half the house, worth about £100,000, then one of us would

be liable for capital transfer tax? Neither of us owns any other property and we do not make use of any gift or capital gains allowances in most years. Is there any way to make a tax-free transfer? You can make a gift of half the house as a potentially exempt transfer. If you survive the gift by seven years, the transfer is entirely exempt. If not, the value (£50,000) will reduce your nil rate band allowance (which now stands at £118,000, leaving you the balance (£68,000 on present figures) in the nil rate band before inheritance tax would become payable.

Service charges

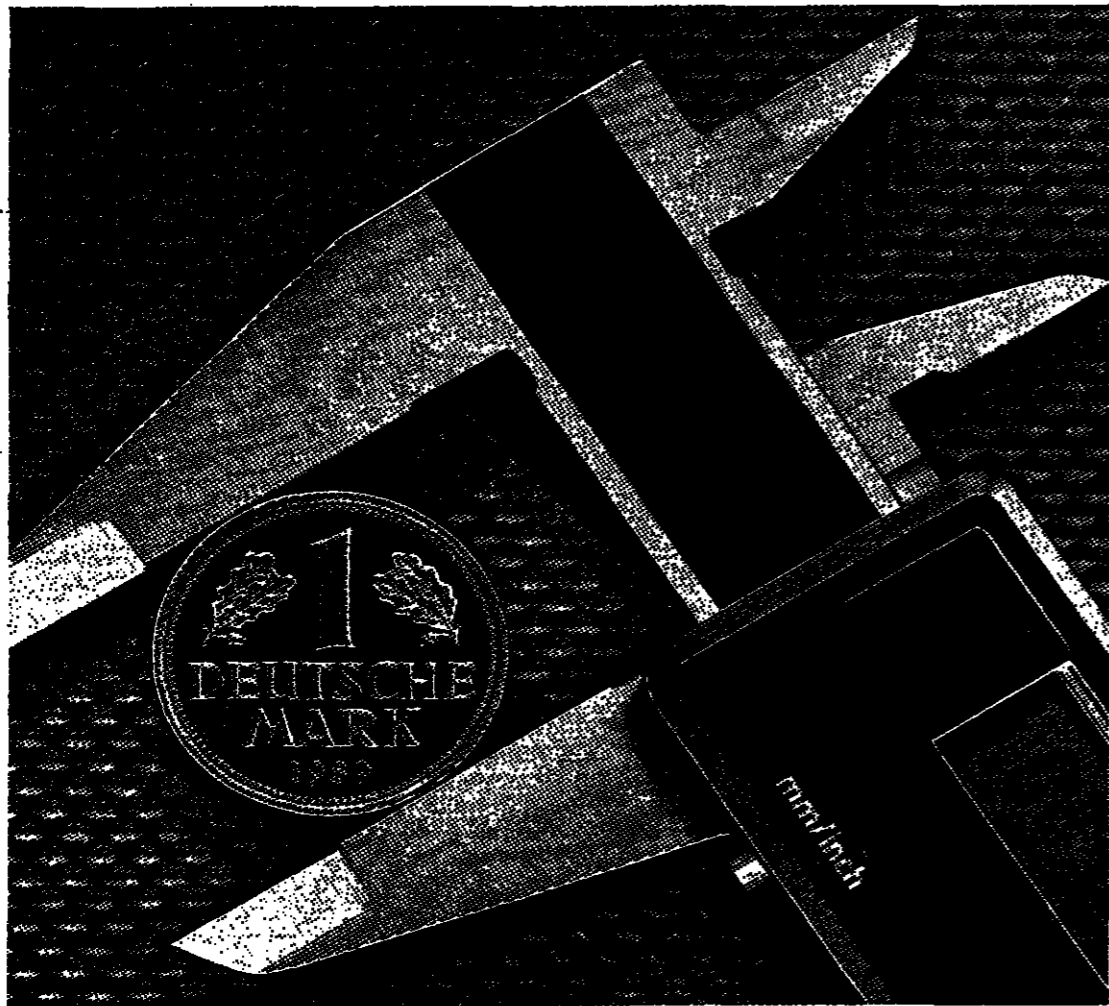
MY FLAT'S service charge is apportioned, like thousands of others in the country, in accordance with the rateable value. What will happen with the abolition of rateable values and the introduction of the community charge?

As the relevant proportions will have been ascertained before the abolition of the domestic rate you should have no difficulty in continuing with the existing apportionment. No doubt, new letting schemes will rely on different bases (eg. area).

Fee is not deductible

IN CONNECTION with a franchise business, please advise me:

- (a) Is the initial fee a tax-deductible expense? (b) What is the franchisor's tax position on the receipt of this fee?
 - (a) Is the royalty on sale subject to a deduction of tax at source (like an annual charge)? (b) If so, does it make any difference if the charge is paid or credited? (c) Can the expense be described as a "franchise fee" and escape deduction of tax at source? If you have not already done so, you should ask your tax inspector for a copy of the free booklet IR28 (1988) - Starting in Business. Before taking up a franchise offer, of course, you should seek independent professional help and advice.
- Here are brief answers to your questions:
- (a) No. (b) It forms part of his taxable trading profits.
 - (a) No. (b & c) These questions do not arise.



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MINDING YOUR OWN BUSINESS

Concession that's not quite what it seems

THE GOVERNMENT'S decision that, from next April, up to 1m small businesses with annual turnovers of less than £10,000 will no longer have to provide detailed accounts, is less generous than you might suppose.

These businesses will need only to state three items: their total turnover, their total business purchases and expenses and their resulting net profit. Under the present rules, they have to provide a profit and loss account and, often, a balance sheet as well.

Dismiss, however, any idea that you can run such a very small business on the back of an envelope from now on. The Inland Revenue is stressing that, while the reporting system will be cut to a minimum, the owner or partners will remain obliged to keep accurate and up-to-date business records. The taxman will continue to investigate business accounts and records for ALL sizes of business where he has reason to believe profits have been understated.

Accountants to whom I have spoken are distinctly underwhelmed by the relaxation. They argue that a turnover of between £60,000 and £100,000 (depending upon the type of business) is really necessary, anyway, before a trading activity can properly be dignified with the title "small business."

At turnover below those levels, a small trading activity is unlikely to be able to provide a full livelihood for even one person. It is more properly a part-time or hobby activity.

Those most likely to benefit from the Inland Revenue concession are those deriving rent from property where the gross income is less than £10,000 a year. But they should still keep careful records of their office and travel expenses, repairs, and other incidental outgoings involved in managing the property.

Statement: Simpler Accounts for Small Businesses, available from the Inland Revenue, Somerset House, Strand, London WC2R 1LE.

R. H.



Glynn Lancaster and Eva Meyerling with the Merlin Image Editor

Roy Hodson on a new tool for photographers The Image-makers

INVENTING AND making something is the hardest road towards establishing your own small business, as I commented on this page recently. Since then, a dozen or so inventors have been in touch to tell about gadgets that surely can change the world... if only someone will give them the millions of pounds of capital they need urgently.

Occasionally, however, an inventor does show single-minded determination, coupled with business skill and persuasiveness, to take his bright idea through to the stages of prototype and development.

Glynn Lancaster, 51, is such a man. After working for 15 years in the photographic film processing business in London.

He has always had an inventive turn of mind. But it was only when he got talking to a photographic librarian, Eva Meyerling, 38, that he realised how much difficulty photographers have when they try to communicate with the people who actually process their work.

Lancaster began to think

about a marriage of photo-optics and computer power that would enable a photographer to look at a colour picture on a screen and then - without acquiring any special skills in technology or computers - be able to adjust size and shape, plus the density and brightness of the colour in any part of the picture. The result would be a new transparency or negative incorporating all the changes.

The whole point of his concept (its working name is the Merlin Image Editor) is that it should be convenient for the photographer to gain access, quick and easy to use, and affordable. Lancaster is pitching at a highly-competitive market.

Equipment already exists in many forms and price bands (up to £1m for a single machine that can edit colour photographs). Crosfield Electronics manufactures a range in Britain.

Lancaster, however, believes his machine can be sold at less than £50,000 and will beat the competition in markets such as advertising agencies and newspaper offices by being cheap, light, portable and, above all, usable by untrained people. He also believes it will be installed

in the growing number of fast print photographic shops and will be used by amateurs anxious to improve their holiday snaps.

The Merlin has been designed in component form so that it can be put together in an office or shop in a couple of days. The Merlin has another function that promises to make it attractive to picture libraries.

It can scan photographs and key word descriptions and store them on optical disc, with 1,400 images on a single disc. A library's stock of pictures can also be enhanced - skies made bluer, for example - to suit clients' needs.

Lancaster brought together the diverse talents of a small team of specialists (who hope to gain their financial rewards eventually through their shares in the invention) and now has the prototype of his Merlin running after four years' hard work in a small workshop in Clerkenwell, London. He is aiming to have a working machine ready for Photokina, the world photographic show in Cologne next year.

Professor Colin Blakemore,

Waynflete professor of physiology at Oxford University, has concentrated on making the highly-complicated Merlin process simple to use by unskilled people. His contribution means the production machine is likely to be operated by simple hand controls, including a desk-top device called a tracking ball which will make adjustments on the computer colour screen showing the picture.

Philip Culverhouse, senior lecturer in electronics engineering at Plymouth Polytechnic, has written a software programme for Merlin which can be run on micro computers using no more power than those now in common office use. Professor Robert Hunt, a consultant to the City University, is advising on colour reproduction. Meyerling and a City publicity professional, Christopher Morgan, are handling the marketing.

Lancaster has worked flat-out to bring the image editor to the prototype stage. He estimates that about £100,000 of capital has been spent so far from a total of £300,000 committed to the project by its pioneers.

But at least £2m will be needed to put Merlin into full production - a capital requirement that has persuaded the team it would be better to sell the invention rather than try to finance an independent manufacturing company.

Lancaster says "The image editor fills so many needs in such huge market-places that we cannot sensibly estimate market penetration."

The trouble with conventional photographic processing in laboratories, says Lancaster, is that the technician often does not understand the client's creative or special requirements for the photograph being handled. And he tells of the time his own laboratory produced 100 colour prints in a hurry for a lecturer at the Great Ormond St Children's Hospital in London.

"The lecturer wanted to hand them round to his audience, but rang to complain angrily that his big moment had been ruined. The girl in the photograph had jaundice, and the point of the picture was to show her peculiar shade of yellow."

The laboratory had, with great consideration, given her a healthy pink complexion!

Merlin Image Editor, MMCO, 15 John Adam Street, London WC2N 6LU (tel. 01-593-7642).

Sally Watts meets a hard-headed wine-seller That personal touch

WINE entrepreneurs have a reputation as people who spend their time touring vineyards and sampling the vintages. On the contrary, says Allister Andrew: such enterprises must be run on financial principles just as strict as any other import business.

Andrew, 35, started The Good Wine Company three years ago. He had worked in the wine trade as a school-leaver and later spent six months in European vineyards picking and tending the grapes. More important, he was also trained in chartered accountancy. This, he felt, would help him through the intricacies of the business world.

He and a friend, Melvyn Pilkington - talking, appropriately, over a glass of wine - decided: "It was time to see what running our own business was all about." Pilkington, then group managing director of a building company at Preston, Lancashire, put up the larger part of the £15,000 capital they needed.

Today, he is responsible for collecting debts and the two discuss policy regularly. But Andrew runs the business, at first from his kitchen table,

now from a warehouse at Charlton, south London.

He spent the first six months compiling a wine list. Then, buying mainly from UK merchants but also with a small amount purchased direct from France, he started doorstep selling to potential private customers. It was an energetic approach - but it didn't work.

Realising quickly that there was little to be gained by this marketing method, he turned his attention to companies that need to entertain - such as advertising and public relations - as well as to what he terms "people in the people business". He also cultivated restaurants and wine bars and the "off trade" (retailers).

When he got his first order - for four cases - he was so excited that he forgot to fill his petrol tank. He came down to earth when his van stopped at Highgate Hill in north London.

In the first year, the company had a £50,000 turnover. This year, it is on course for £750,000. But Andrew recalls: "We had a pretty hairy start as we lost half our capital during the start-up period. It was worrying time." He survived that period on £100 a week, which included the gear-

ment's £40 enterprise allowance.

Andrew is a self-taught salesman, who learned from experience and from studying a guide to selling by Alfred Tack. Following Tack's principles, each time he fails to make a sale he tries to work out why. "You might think you've produced the best wine list in the world," he says, "but you still need the personal angle - the rapport with the customer and the knack of making your selling relevant. The only way to do it is to get on the phone." "You might have to ring 40 people to get two or three customers. If they say 'no', I ask when they will be reviewing - and try to see them again then."

He has built a list of 250 clients including top London stores such as Selfridges and Fortnum and Mason; his, the French hotel chain, the National Theatre; and the Royal Society of Medicine. He employs a staff of five including two full-time salesmen covering London - and is looking to increase sales in the other London area bounded by the M25 orbital motorway. He delivers, using his own services, orders from further afield and dispatched by carrier.

Andrew goes to France about three times a year and enjoys "doing a lot of detective work" there to meet customers' requirements, both on types and prices of wine.

The company, which ships from France, Germany and Italy, now operates from a bonded warehouse which reduces stock-holding costs. The duty of £9.22 a case on table wines can be deferred until after the sale is made, thereby easing cash flow.

He says that one of his aims is to change the way people think about wine. His own favourite is a mellow claret but his range is wide, with 120 different products. Next year, he is thinking of importing a red and a white from North America.

Andrew adds that he has seen a change in people's drinking habits this year. Customers now prefer "quality to quantity", he feels.

The Good Wine Company, Victoria Warehouse, 40 Victoria Way, London SE7 7QS (tel. 01-593-5577).



Allister Andrew... "we had a pretty hairy start"

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Water

A SPECIAL 3-PAGE GUIDE TO H₂OWNERSHIP

THE ODDS were favourable a year ago that the flotation of the water industry would be much more likely to dribble into the sand than the privatisation of electricity. Yet the Government has succeeded in bringing the 10 regional water authorities in England and Wales to the brink of privatisation on schedule and relatively unscathed.

Or so it may appear. In fact, the stage of how the relatively little-known, undervalued and politically naive industry has been cajoled and bullied to flotation has at times had a surreal quality and at other times the characteristics of a poorly-plotted novelette, with heroes and villains changing roles abruptly.

It has certainly been a challenging experience for industry leaders and for Ministers and civil servants, but by concentrating minds wonderfully it has made the industry more efficient, more aware of its real worth, and more prepared for change.

A successful sale, subject obviously to the uncertainties of the market in the next few weeks, would be a remarkable achievement. Water, regarded as the archetypal public service, seemed one of the least likely candidates for the Government to choose in its search for suitable family silver to sell.

The privatisation programme, which has dominated everything else in the industry for the last two years and more, has been kept on stream despite numerous rapid, including unrelenting political opposition, stubbornly hostile public opinion, running battles with the European Commission on water quality, and an invasion of the statutory water companies by French predators.

The privatisation legislation steamrollered through Parliament in the summer was the central plank in a raft of changes over the

direct or indirect public involvement in the industry considered essential.

At the outbreak of the First World War there were around 2,000 water supply undertakers in England and Wales, mostly controlled by local authorities but with a strong representation of private companies operating under separate Acts of Parliament. It was a confused, fragmented scene, however, and it was only after the Second World War that a more coherent picture began to emerge.

The 1945 White Paper encouraged the amalgamation of water suppliers and there were reductions from more than 1,400 suppliers at the end of the war to 950 in 1950, 276 in 1963, and down to 187 immediately prior to the 1973 restructuring, which laid the basis for the scale of the changes to the industry.

The milestone of the 1973 Water Act combined the various branches of the industry into 10 regional authorities, with boundaries based geographically on river catchment areas. It also created integrated river basin management subject to the concept has, by general consent, worked well, but in addition to giving responsibility to the authorities for all water management matters - including water supply, sewage treatment, pollution control, drainage, flood prevention and fisheries - the legislation added all the other functions of river basin management. In particular, regulatory control combined with the utility activities created combined "gamekeeper" and "poacher" organisations. Other authority chairmen, frequently produced conflicts of interest which the privatisation legislation has sought to resolve.

The return to government of the Conservative Party under Margaret Thatcher in 1979 heralded further changes. For the first time, the industry was not on the political agenda, and the authorities achieved only limited public recognition as a nationalised industry. However, reliable services attracted little notice except in a drought - the authorities had no high street shops like the gas and electricity concerns, and few meter readers. Water supply and sewerage remained the least thought about and most taken for granted of utilities.

Then, in February 1985, came the event that triggered the whole privatisation process. Roy Watts, chairman of Thames Water, and his board objected strongly to the repayment to the Treasury of an estimated £400 million of a consequent increase in domestic charges of 10 per cent to cover it. He insisted, to the fury of Ministers, that his authority - the largest and most powerful of the 10 - would not implement the repayment unless it was approved on the floor of the House of Commons.

Although the Government won the division handily, 19 Conservative MPs, mostly from the Tory heartland of the Thames Valley, voted against the whips and in favour of the Watts objections, and a further 26 abstained.

But, more significantly and totally out of the blue, Ian Gow, now Conservative MP for Eastbourne and then the Environment Minister with responsibility for the industry, said that the Government was examining the "possibility of a return to privatisation in the water industry."

It seemed an unlikely prospect,



Privatisation: a bridge over troubled water

Richard Evans reveals the private battles behind the Government's most controversial flotation yet

But after the debate Thames volunteered publicly to be the first authority to be privatised. Roy Watts said there was "considerable disquiet about the financial relationship between the Government and the water and other utility industries." Other authority chairmen were extremely sceptical that privatisation was a viable option, but nevertheless the debate was on.

The Environment Department put out a consultation paper but most of the authorities, together with the Water Authorities Association, remained unconvinced. Watts persisted in his harranging tactics, however, and Thames published its own privatisation proposals.

Central to the Thames plan - and it had the backing of the rest of the industry - was the retention of the concept of integrated river basin management. To the relief of the industry, a Government white paper in February 1986 proposed the transfer of the core utility business of the authorities to privatised companies virtually intact, retaining only flood protection and land drainage in the public sector. The sacred concept of river basin management was to be preserved.

The debate raged on through the first half of 1986, but it soon became apparent that there were problems. In particular, powerful organisations such as the Confederation of

Then, prior to the 1987 General Election, the Tory manifesto declared that a re-elected government would privatise the water industry, "leaving certain functions to a new National Rivers Authority" remaining in the public sector.

There had been no consultation with the industry, which found itself wrong-footed and badly divided. Roy Watts opposed the new plan vociferously on the grounds that it would end the much admired river basin concept. John Bellak, inclusive chairman of Severn-Trent, the second-biggest authority, was the only one to embrace the new proposals warmly; the remaining eight chairmen came down somewhere in the middle or simply sat on the fence.

The Tories' third election victory was followed quickly by a green paper from Ridley entitled "The NRA - a public regulatory body in a privatised water industry" - and the conflict within the industry and between the industry and the Government deepened.

The adherents of the integrated river basin initially refused to back down, but a growing number of industry leaders argued reluctantly that the only way to get privatisation was to accept the Government's formula. Roy Watts, left isolated, was forced to concede.

So all 10 finally came round to accepting the Ridley proposals - but the internal dissensions did not stop. At times the chairmen were like warring barons, possessive of their own little patch and unwilling to give way. In particular, Roy Watts and John Bellak, although they now confess a warm regard for each other, preferred to take opposing sides in any argument.

At the centre was the heroic figure of Gordon Jones, chairman of the Water Authorities Association and of Yorkshire Water. He battled in vain for unity in the early stages but eventually won through to gain the acclaim and gratitude of his peers.

In the end, against an unsettling background of intense financial speculation over the predatory forecasts of the big French water groups into many of the 29 statutory water companies, and increasingly determined moves from the European Commission over early compliance with stringent water quality requirements, three events got the show back on the road, according to one of the most astute chairmen.

The first was the early appointment of Patrick Brown, one of the most experienced privatisation experts in Whitehall, to lead an inexperienced team. The Environment Department's French water groups indicated a privatisation before. The second was the appointment of Rothschild as merchant bank adviser to all 10 authorities, in addition to individual advisers who had often pulled in conflicting directions.

Finally, there was a secret dinner in London between all the chairmen and Norman Lamont, then in charge of the Government's overall privatisation strategy. He took on board the need for a 100 per cent rather than part sale, and for a complete £2bn debt refinance and a consequent £1.6bn cash injection to make the industry acceptable to investors.

After an ultimatum from Nicholas Ridley, the authorities were presenting a united front by the summer of 1988, when the Government confirmed that all 10 would be floated together rather than in batches. It meant that for Schroder Wagg, the Government's merchant bank advisers, there would be the most complex flotation ever attempted, as well as the most politically unpopular.

Michael Howard was appointed water minister, presumably on the grounds that if he could steer the Financial Services Act and the community charge legislation through Parliament, even water privatisation should be a piece of cake.

He did the job remarkably well after initial hostility from the industry over his stubbornness, and he

Final timetable for potential water investors

- November 22: Price published. Mini-prospectuses and application forms posted to those who have registered.
- November 29: Application forms published in national newspapers. Full prospectuses and application forms available from post offices and banks.
- December 6: Offer closes.
- December 12: Basis of allocation announced. Dealings commence.
- December 20: Posting of interim certificates and return cheques.

mastered the complexities of the legislation superbly. The Opposition team, led by Jack Cunningham and Ann Taylor, launched effective and damaging campaigns against the industry and its lack of suitability for the private sector, but because of the in-built Tory majority the bill remained largely unscathed.

The final cliff-hanger, which nearly ended in disaster, came this summer when the Opposition conducted a series of individual negotiations with the chairmen and their advisers over the setting of the K factor - the percentage by which charges will be allowed to rise above inflation over the next 10 years.

Because of the huge capital investment programmes scheduled, all the chairmen argued for high K factors, but the Government team found these demands politically unacceptable and scaled them down to an average of around 5 per cent a year.

Some of the negotiations developed into a poker game of bluff and

A judgment now has to be made by investors, and the advice is conflicting

counter bluff, and although agreement was finally reached with concessions from the Government, there were dangerous moments. Negotiations took more than one chairman, including Gordon Jones.

The statutory companies, which will now be able to convert to plc status like the authorities, are still embroiled in difficult negotiations over their K factors. They feel that they might be forced into the rough new world on unfair terms, as they have had no benefit from the authorities' debt write-offs or the injection of the "green dowry" money.

For the authorities, with their K negotiations settled, it has largely been a matter of waiting impatiently for flotation and seeing how skilfully Schroders and Dewe Rogerson, the marketing experts, have done their job.

A judgment now has to be made by investors on the industry, and the advice is conflicting, partly for political reasons. One critic's harsh verdict is that the Government is selling "a rat-infested tangle of cracked pipes," whereas John Bellak argues that the UK industry is in general much more efficient and effective than the rest of Europe.

A crucial fact about the flotation is that it is vital for it to succeed. Failure would be too embarrassing politically, and would damage the much higher flotation next year of the electricity industry. The share price has therefore had to be pitched generously.

Charges are undoubtedly set to rise steeply as quality is improved. Water has been a cheap and undervalued commodity in the past, but this is set to change - to the benefit of the shareholder rather than the consumer.

Until now the common attitude towards the industry has been 'flush and forget'

last five years that have helped propel a key but alarmingly low profile, secretive and fragmented industry on to centre stage.

It was not always so. The water industry has never had the glamour of the railways, oil exploration or the early days of aviation, although the engineering achievements of the Victorian pioneers deserve wide acclaim. In recent times, the common attitude towards the industry has been "flush and forget."

Although the modern industry began in Victorian times it was as early as 1698 that William Yarwood, a leading engineer of his day, sought an Act of Parliament "for better supplying the Town of Newcastle upon Tyne with fresh water."

Thus was formed the first of the statutory water companies, and despite all the vicissitudes and re-organisations of the succeeding 300 years some survive and flourish today.

Historically, the statutory water companies were often the pioneers of water supply in response to the growing industrialisation and urbanisation of the 18th and 19th centuries, and it was a mix of the profit motive as well as the desire to improve public health that fuelled growth.

However, in 1845 the Royal Commission on the Health of Towns and Popular Places described water supplies in the UK as so deficient as to be pronounced "bad and frequently unfit for quality." The town of Newcastle, with the deaths of 53,000 people in 1848 through cholera, provided the necessary impetus for the first Public Health Act. Local health bodies were established with the power to supply water for their areas, provided a private company was not already doing so.

From this point on, water and sewage have been regulated and

Making sense of a flood of information

Beginners start here: Andrew Hill answers the principal questions about the risks and potential rewards

So, the Government is going to sell Britain's water industry. The Government is selling the 10 water and sewerage businesses of England and Wales, which used to be called water supply and sewerage services in Northern Ireland and Scotland will stay in public ownership. The 29 statutory water companies, which supply water to a quarter of the population in England and Wales, are already in the private sector. They are called "statutory" companies, because they were set up under separate Acts of Parliament, as explained on the next page. They will have the opportunity to convert to public limited companies status.

■ I bought British Telecom and British Gas shares, but I steered clear of BE: how does the water sale differ?

The main difference is that it's much more complicated: there are 10 companies for sale, rather than one, serving different regions. In some areas there is water supply duties with statutory water companies. The Government is selling 100 per cent of the water and sewerage businesses; it only sold 50.2 per cent of BT.

■ How big is the water privatisation?

At a common share price of 240p the sale will raise about £5.34bn, which is at the bottom end of the £2bn to £7bn range forecast by analysts before the recent uncertainty in the markets. At one stage last year there were suggestions that the privatisation might raise as much as £10bn.

■ I've been disillusioned by the

performance of the stock market over the last few weeks. Why should I invest in water?

The bullish view is that water is ideally suited for investors seeking an antidote to market horrors. The core business could hardly be more resilient: everybody needs water and the companies have local monopolies in supplying the stuff. In addition, the industry has promised a "progressive" dividend policy - CitySpeak for dividends which increase above the rate of inflation and the issue has been priced with an 8.55 per cent dividend yield to attract the private investor.

■ What's to stop a water company going bust or running dry?

As if the natural resilience of the business was not enough, Ian Byatt, the new Director General of Water Services, has a duty to ensure that all water groups - including the statutory companies - can finance their core utility business.

■ How?

His principal weapon is a "price cap." As from next April, water prices will be frozen at the level calculated on the basis of each company's known capital expenditure plans for the next

Q&A BRIEFCASE

Some of the companies are also planning to embark on ambitious diversification into other areas, which could include leisure and overseas contracting. Remember that the DG's duty to ensure a company can finance itself only extends to the core business.

The DG also has a duty to the consumer. If a company makes savings because of unexpected windfalls he could reduce the K factor. As a last resort, Byatt could punish real incompetence in the core water business by removing a company's licence.

■ Is there any political risk?

As with any privatisation there is the possibility that another government could attempt to "re-nationalise" the business, or influence the regulator so that he or she favours consumers over investors. That risk is heightened with water, partly because it has been such a

controversial measure, and partly because of the recent political turmoil.

■ And didn't I read about big legal problems which might affect the issue?

It's true that the European Commission is taking the UK Government to court because of its alleged failure to comply with the EC Drinking Water Directive. However, the companies themselves would not be involved as defendants in such a case and any costs incurred as a result would be subject to cost pass-through.

There are also 15 local authorities claiming compensation for future asset sales by the 10 former water authorities. Michael Howard, the minister with responsibility for the water industry, has pledged full indemnity for the companies against any liability arising from these claims.

■ How big are the individual companies?

The largest water company - in terms of market capitalisation and population served - is Thames, valued at £22bn, and serving nearly 12m people; the smallest in value is Northumbrian, worth £157m, although South West, with a population of only 1.5m, answers to fewer customers.

■ So is there a different price for each company?

No. There is a common price of 240p, payable in three instalments over 30 months.

■ Then how do I distinguish between them?

Obviously the companies are not all worth the same. The Government has adjusted the number of shares for sale in each company, and their individual dividend yields. In theory, the "handicapping" process should make all the companies - the large and the small, the plodders and the fleet of foot - look equally attractive to shareholders.

■ But surely there must be some way of pricing them apart?

Well, analysts are looking at a number of criteria. They are particularly interested in the management capabilities of the 10 boards, many of which have been stocked with new directors who have private sector experience.

Other interesting points to look out for include: the size of the companies' capital expenditure programmes - and how well they have coped with large spending projects in the past; the K factors; diversification plans; and size, both in terms of population and the number of shares in issue.

■ What about takeovers?

France's three largest water suppliers have bought 12 of the 29 statutory water companies

in the last 18 months in order to lay a foothold in the UK industry. The trio - Compagnie Générale des Eaux; SAUR, which is a subsidiary of Bouygues; and Lyonnaise des Eaux - might well be interested in stakes in the privatised companies, although they have played down the possibility of full bids.

In any case, there are restrictions on shareholdings. Nobody can own more than 15 per cent of each company; the Government holds "golden shares" which will prevent takeovers for at least five years; and bids for any water company with assets of more than £30m (which easily covers the 10 being sold) would be referred automatically to the Monopolies and Mergers Commission.

■ Is this an issue that can be staggered?

The DG of averages suggests "yes." You could apply for water shares and sell them on Day One at a premium to the 240p offer price. Britoil (the 1982 sale by tender) and the infamous BP sale of two years ago are the only privatisations to have flopped.

This privatisation is being priced to avoid just such a disaster, although the Government is now aware of the political pitfalls of underpricing, so don't expect a huge premium.

Bear in mind, too, that water

is being poured into an uncertain market and because of the complexity and because there is an unusually long interval between the setting of the price and the first day of dealings. That increases the risks.

If you were among more than 4.3m people who pre-registered, you should also remember that the incentives to which you are entitled are a loyalty bonus. If you sell within three years you could forfeit some or all of those incentives.

Finally, there is the usual snag for shares in large flotations: share certificates will not arrive in time for the first days of dealings. If you deal before you receive your certificate, you run the risk of selling shares you do not own.

■ When will I get a prospectus?

If you registered in advance with the water share information office a mini-prospectus should be on its way to you. If you didn't, you can still pick up a full prospectus at post offices or High Street banks from about the middle of next week.

Application forms will also appear in newspapers.

■ I'm fed up with hearing about water: when will this interminable privatisation end?

The closing date for share applications for shares is December 6 and the dealings will open on December 12. However, there will only be a brief chance to sip a soothing glass of water before the electricity privatisation campaign begins: the 12 area boards are due to be floated off within a year.

THE WATER SALE

Statutory Companies

Yesterday's windfalls

Andrew Hill on the 29 private suppliers

IF YOU HAVE just started to think about an investment in one of the 29 statutory water companies as being an interesting route into the UK water industry, think again. The real winners are those who took a stake in the UK's private sector water suppliers two years ago - or those who last Christmas suddenly realised that the water company stock they had inherited from great-aunt Molly had increased in value more than 15 times since the previous Christmas.

Alongside the 10 newly-privatised businesses, statutory water companies supply water to about 25 per cent of the population in England and Wales. They have no responsibility for sewage disposal. The aggregate pre-tax profits of all 29 last year were lower than the operating profits of the smallest water authority.

Many of the companies date back to the 19th century and have a bewildering variety of classes of stock. They distribute a fixed level of dividends and many restrict the voting rights of shareholders. Surplus profits have to be distributed to consumers in the form of lower charges.

All of them now have the option to throw off these restrictions and, with shareholder approval, convert to public limited company status.

Starting more than two years ago three French water suppliers began to invest in these companies, pushing up share prices in the little-known stock market, back then and eventually launching successful bids for 12 of them. Bids for three others came from BWRater, a private UK water contractor, before new merger restrictions imposed by the Government quietened the sector.

The companies also embraced the Government earlier this year by raising their water charges, arguing that it was the only way to put themselves on a level playing field with the larger authorities after flotation. Now statutory companies are wrangling with the Department of the Environment again, this time over their price limits, which have yet to be set.

All but ignored by analysts because of the hype which has engulfed the rest of the industry, stocks in the remaining independent companies now look fully valued after the excitement of the past two years. That said, if French suppliers or larger neighbouring water companies decide to bid - and are allowed to - there may be further windfall profits for widows and orphans who hold on.

Of the 29, the following are still independent:

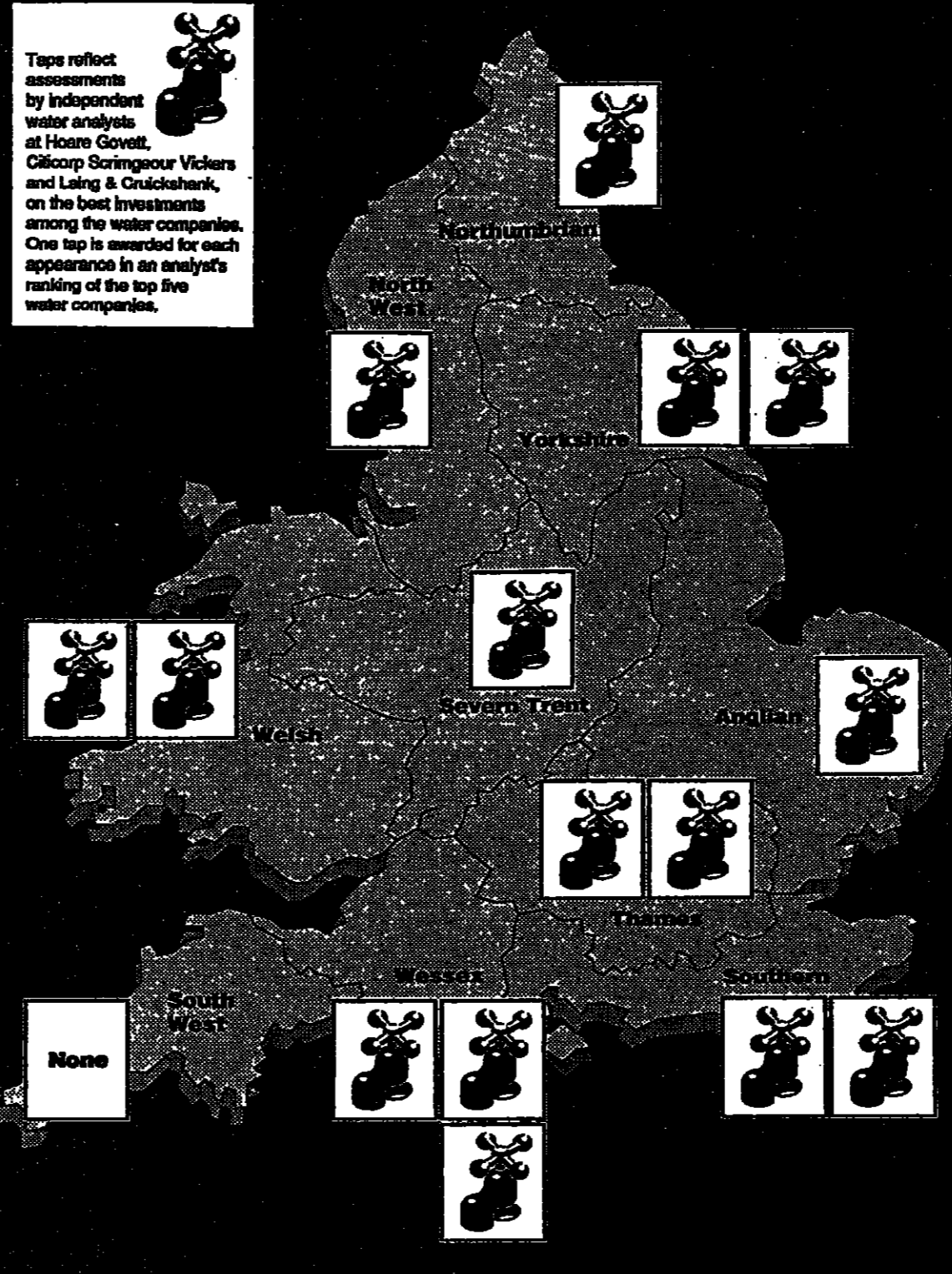
- Bristol (two large French stakes, but protected by voting restrictions);
- Cambridge (made immune from takeover by a shareholder agreement);
- Cheltenham & District (tiny, unlisted);
- Colne Valley, and Rickmansworth (both awaiting a monopolies decision on a proposed merger with French-controlled Lee Valley);
- East Surrey (to be registered as a plc next month);
- Essex (small);
- Mid Kent (already quoted as a plc, Mid Kent Holdings);
- Portsmouth (controlled by its own pension fund);
- South Staffordshire (large French stake);
- Sutton District (large stake held by Associated Insurance Pension Fund, an Australian investment vehicle);
- Worcestershire & East Derbyshire (large French stake);
- York (large stake held by Equity & Law)

THE 10 NEW PLCs KEY FACTS

Name	Market Turnover 1988-89		Yield*	Capital expenditure†		K Factors		Population‡
	£m	£m		1989-95	1995-00	1990-95	1995-00	
Anglian	707	357	8.51	1470	1990	5.5	5.5	5.4
Northumbrian	157	142	8.91	540	345	7.0	3.0	2.8
North West	854	458	5.73	2220	2080	5.0	5.0	7.0
Severn Trent	849	476	8.25	2330	1750	5.5	2.0	4.0
Southern	382	204	8.35	830	500	5.5	0.0	4.0
South West	293	106	9.68	785	525	6.5	5.0	1.5
Thames	922	558	8.10	1890	1820	4.5	4.5	11.7
Wessex	346	220	9.31	890	875	6.5	5.5	2.9
Yorkshire	248	131	8.45	850	625	4.5	4.5	2.5
Yorkshire	472	308	8.57	1210	1210	3.0	3.0	4.5
TOTAL	6239	2990	8.5555	12785	11900			50.4

* Yield based on national full-year dividends for 1988-89
 † Estimated expenditure required by investment programme
 ‡ Yield position, including profits supplied by statutory water companies
 § Southern's K is 5.5 for three years and 3.5 for two years
 ¶ Weighted average yield on package of 10 companies

The ten water companies - how the analysts see them



Taps reflect assessments by independent water analysts at Hoare Govett, Citicorp Scrimgeour Vickers and Laing & Cruckshank, on the best investments among the water companies. One tap is awarded for each appearance in an analyst's ranking of the top five water companies.

The Shares HOW TO BUY IT

Clare Pearson's step-by-step guide

THOSE forward planners who by November 15 had registered their interest in buying shares with the Water Share Information Office will find applying for them a simpler process than others.

If you did so - and regardless of whether you are a customer of one of the companies - early next week you should receive in the post a mini-prospectus and a personalised application form.

If you failed to pre-register you will have to make do with a public application form - although it should be easy to get hold of one. Forms on their own, and those contained in mini- and full prospectuses, will be widely available from banks and post offices from next Wednesday. They will also appear in newspapers.

If you did not pre-register you will have to use separate forms for the shares of each company in which you want to invest. If you have a personalised form you can use it to apply for shares in any or even all of the companies, making out only one cheque.

You as an individual may make applications for shares in as many companies as you wish. You are also entitled to make a joint application with up to three other people, assuming that you are all over the age of 18. But remember it would be a criminal offence (subject to certain specialised exceptions) for more than one application to be made in any particular company for the benefit of any one person.

Your decision on whether to apply for shares in more than one company, or in one other than your own area company, will be influenced by a range of investment factors. However, in simple terms, the certificate preference, those who apply for shares in their local company,

The Certificate

If you invested in previous privatisations you will have received initially a large document known as a "renounceable letter of allotment" (RLA). With water you will receive something rather different, a document known as an "interim certificate".

This is so called because shareholders technically have interim rights over the underlying shares until July 1991, the final instalment date. If you wish, however, to be familiar to Abbey National shareholders, you can think of it as an "interim certificate".

It also has the advantage of making settlement of dealings a smoother process. After the register of holders is in place, all transactions in the shares can be conducted through Talisman, the Stock Exchange's computerised dealing, settlement and clearing system. The certificate incorporates a Talisman Sold transfer form printed on the reverse side, which you must sign to sell your shares.

Effectively, this system eliminates much of the paperwork involved in share transfers and should mean that you get a more efficient service.

Dealing in the shares

A range of intermediaries will be providing special deals. Here are just some of those that have been finalised so far:

- To the first 10,000 Leeds Permanent Building Society customers who apply from next Monday, the Society will, in conjunction with Debenhams Investment Service, be offering a voucher entitling you to a free share selling (though not buying) service.
- To be eligible you must either already hold, or open, a Leeds Liquid Gold or Solid Gold savings account with a minimum balance of £2,000. Details are available from Leeds branches.
- Other Leeds account holders, and anyone contacting DIS, will be able to sell their shares through DIS for a flat fee of £10, plus V.A.T.
- DIS is offering these terms to family groups of a maximum of four shareholders with the same address owning shares in the same authority. Skipton Building Society is offering the same terms both to customers and non-customers.
- NatWest Stockbrokers provides a dealing service through all its branches to any individual, whether customer or not. As in previous privatisations it is providing a walk-in-and-deal service in the 270 NatWest branches which have a Touchscreen. However, it has not yet decided whether this will include the payment of sale proceeds on the spot.
- Barclaysbank will also be providing a special deal, but details have not yet been announced.
- Cheltenham and Gloucester Building Society is providing an insurance service to people who may be worried about loss of interest on a savings account as a result of an unsuccessful application. If you open a Gold Account before applying for shares you will not lose interest, provided you return your cheque to the account before January 6.

ANGLIAN

If there is such a thing as a growth stock in the water industry, then Anglian fits the bill. It is based in one of the most prosperous parts of the country and its customer base is growing at close to 2 per cent per annum. Its assets are more modern than many of its rivals, but it does have lower than average rainfall and the region's intensive farming means that it has bigger potential pollution problems.

In common with some other authorities, Anglian's need to secure long-term water supplies is catered for by the region's abundant rainfall and the region's intensive farming means that it has bigger potential pollution problems.

Anglian's conservative management has put aside less than £100m of the £3.5bn investment programme to deal with the problem.

With the second highest K factor, it has one of the biggest capital investment programmes, but is confident that it has minimised the regulatory risks.

■ A prospective yield of 8.5 per cent and the promise of long-term real dividend growth of around 4 per cent per annum is a safer bet than farming.

NORTHUMBRIAN

spite of having the smallest market capitalisation of the 10, Northumbrian is beginning to draw some admiring glances from analysts, partly because of its management's formidable reputation for cutting costs.

The principal architect of efficiency improvements was Frank Ridley, who retired as chief executive in January. He remains on the board, along with David Cranston, one of the industry's most respected finance directors.

They will help manage a comparatively modest capital expenditure programme and nurture non-core ambitions which include waste incineration projects, possible leisure developments and a cable television joint venture. The high K recognises the difficulty Northumbrian may have in making further efficiency gains. About 60 per cent of water supplied by Northumbrian goes to industrial customers, many tied into long-term contracts with the company. There is no problem with quantity, thanks to the big Kielder reservoir; quality focus on beaches and sewage outfalls to the sea.

Three statutory water companies supply over half the region's population. The two largest being in Lynton and Exmoor, perhaps the most aggressive of the French water suppliers, creating an element of takeover speculation.

■ On the third highest yield - just under 9 per cent - Northumbrian looks attractive, even without the bid possibilities.

NORTH WEST

North West has had to cope with a backlog of problems inherited from the industrial revolution, particularly crumbling sewers and the polluted River Mersey. This led to it being regarded initially as the one company it would be impossible to sell, but times have changed.

A big capital spending programme has been put in hand and North West probably benefited more than any other from the new financial regime. It could now enjoy reasonable growth due to its high quality water resources from the Lakes District, but problems with peat discoloration and from lead piping in the industrial south. Beaches are in a poor state, but a programme of long sea outfalls and coastal sewage works is under way.

Chairman Dennis Grove has diversified plans and his ace card could be the company's proven ability to handle big capital projects.

■ An unfashionable company with residual presentational problems, but with a starting yield of over 8.7 per cent, North West could be the dark horse to watch.

SEVERN TRENT

No-one thinks that there is anything wrong with the company, but Severn Trent may have its work cut out to attract investors' attention.

The board is seen as well-balanced and efficient. Since 1983 it has been led by John Ballak, the outspoken and high-profile chairman, and incorporates a number of people drawn from the private sector.

The company is facing a big capital expenditure programme, but there are few concerns about the management's ability to cope with this core challenge. However, there are some fears that the board may be diverted by the ambitious diversification plans it has in the pipeline. Severn's dividend growth is expected to be weaker than the average over the next five years.

■ Taking into account the relatively low yield, there seems little reason to hold the shares.

SOUTHERN

Shares in Southern could be popular with local customers who live in what seems to be the natural habitat of the small shareholder.

Nearly half the 4m population is supplied with water from six statutory water companies, three controlled by the French company SAUR (a Bouygues subsidiary) and a fourth by the largest French supplier, Compagnie Générale des Eaux. Unusually, Southern holds 25 per cent strategic stakes in each, making a French takeover less likely than mutual cooperation.

Southern, one of the most aggressive diversifiers, has already announced a joint venture with SAUR on waste disposal, adding to non-core subsidiaries in everything from information technology to contract plant hire.

In line with this strategy - reflected in a comparatively low yield - management is weighted towards non-core activities. The relatively small capital expenditure programme is concentrated on early improvements to sewage outfalls and the region's popular beaches - hence the unusual split K factor for the first five years.

■ Greater risk than most; but if management is up to the task, diversification plans offer the possibility of rapid expansion unhampered by heavy capital expenditure requirements.

SOUTH WEST

South West faces problems in gaining investors' confidence due to its past bad press and the fact that its management team was hastily assembled just ahead of privatisation.

Hard hit by last summer's drought, it was worse affected by a widely-reported incident of pollution from one of its Cornwall works in 1988. It is chaired by Keith Court, a former director of Blue Circle Industries, who has held the post since August 1987. The board incorporates four other executive directors, all of whom were appointed this September. Admittedly, three of them have experience in water at South West and elsewhere; they include Kenneth Hill, finance director, who joined after being financial controller at Severn Trent.

Nevertheless, the team has everything to prove at the same time as the company, one of the smallest, immediately plunges into a very sharp increase in capital spending. But there is no doubt that the Government's advisers thought all this through in the pricing. Indeed, the yield was even greater than expected, and there is certainly scope to narrow the differential should Court et al come good.

■ Being pursued as a struggling vehicle, could go well short-term. Further out it has attractions for those prepared to take a risk.

THAMES

Thames, high profile and bullish, is billed as the premier stock because of its size, location, development potential, and aggressive diversification plans aiming at 50 per cent of profits from non-core activities within five years.

Roy Watts, the experienced chairman who pioneered privatisation, has prepared a well-thought-out corporate strategy and has already bought the Portals international water treatment business. There is considerable scientific expertise and experience in handling large contracts.

Completion of the M25-type ring main around London will solve resource problems and release land but the more stringent property divestment regime has dented prospects.

Thames also has the smallest investment programme of the big companies which reduces the potential for fast growth in the short term.

■ It is certain to be a very popular stock and should perform well, but much will depend on ambitious diversification plans. Will it try to do too much, too soon?

WESSEX

The strength of Wessex, one of the smallest companies, lies in its well-regarded management and its use of new technology. Known as the "push button authority," it has developed an excellent customer response system. A fast-growing population will give an opportunity for volume growth in sewage services, but growth in water supply will be limited by the presence of statutory water companies in the big population areas, Bristol and Bournemouth.

High-quality, mainly underground water supplies should meet the highest EC requirements and Wessex has by far the lowest leakage rate among the former authorities. In contrast to all neighbouring authorities, there were no water restrictions in Wessex during the summer drought.

A relatively large investment programme, mainly for longer sea outfalls and Bristol and Bath sewer renewal, should leave scope to complete below budget.

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YORKSHIRE

Yorkshire is as safe and solid a water utility as you will probably get. It does not have an inbred management team, yet it has not hesitated to look outside for special expertise and its chairman is one of the industry's leading figures.

The emphasis on training and research, and cautious approach to diversification, suggests that it could become one of the industry's leaders. One has only to look at the impressive financial record of an institution like the Yorkshire Bank to realise that the better managed businesses do not have to be the biggest - or based in London.

However, with a market capitalisation of close to £250m, it will be bigger than local companies like Allied Colloids, BBA, and FKI, whose yields range between 2.2 per cent and 6.4 per cent. Yorkshire suffers from old underground sewers and mains; nevertheless, it has already shown that it can handle large capital spending programmes, one of the keys to long-term success.

■ A prospective multiple of 5.4 and yield of 8.6 per cent are average for the industry, but does not do justice to a quality stock.

At the launch of the pathfinder prospectus: from left, Environment Secretary Chris Patten, Gordon Jones, chairman, Water Services Association, Junior minister Michael Howard

The British Government's advisers have asked us to point out that there is no public offering of the shares in the US or Canada. US and Canadian citizens are not permitted to apply in the UK public offer.

Do not include

THE WATER SALE

Personal Equity Plans

A flotation tailor-made for PEPs

John Edwards reports on how investors can maximise gains by avoiding paying tax

THE WATER privatisation offers investor special opportunities by using a Personal Equity Plan (PEP) to considerable advantage. Basically, by transferring new water shares into a PEP you can avoid paying capital gains tax on any profits made or income tax on a potentially high-yielding stock. But there is much more to it than that. You can also increase substantially in value because the maximum amount that can be invested annually into a new-style PEP from the ceiling of £4,800 possibly to well over £11,500, and it at the same time shelter from the tax inspector any immediate gain from the difference between the offer price and the market value.

PEPs scheme was specifically aimed at privatisation issues such as water - particularly as an additional concession was made that the amount of partly-paid shares that can be taken in is based on the first instalment of the offer price, rather than the full amount. This means that buyers of water shares, with a first "call" instalment of £1, will be able to transfer into a PEP up to a maximum of 4,800 shares which will have an issue value of £11,500 in three years after the further two "calls" are paid, and a market value of a lot more if the shares trade at a reasonable premium over the offer price. Presumably this massive breach of the PEP restrictions is to encourage investors not to sell privatisation shares immediately, but

instead to retain their holdings. Taxpayers, particularly those who have already used up their £5,000 annual capital gains tax exemption, face losing a hefty chunk of any profits made if water shares turn out to be a bargain buy and move to a healthy premium when dealings begin. Alternatively, income tax may take away a lot of the benefits of holding high-yielding shares, again especially for the higher rate taxpayer. Unless you have a pessimistic long-term view of water companies, there is quite a lot to be gained by keeping them in a PEP to avoid capital gains and income taxes. Although you are committed to paying the second and third instalments to gain the full benefit, and using up some of your PEP allow-

ances in 1990/91 and 1991/92, a further incentive is that any bonus shares received in the third year can also be used to swell your tax-free PEP holding. So there is a strong case for arguing that if you are prepared to go to the time, trouble and risk of buying water shares, then you may as well go the whole hog and avoid paying tax as well. But, as ever, it is not quite as simple as that. For a start many investors have already used up some, or all, of their PEP allowance for 1989/90. If you have already invested £4,800 in a new-style PEP then there is not a lot you can do. Even if you have only committed part of that amount you may be in difficulty, since the majority of PEPs offers are either stand-alone unit, or investment, trusts with a

maximum investment of £2,400; or discretionary funds, where the plan manager, not you, chooses the stocks. In theory you could transfer your PEP to a company offering a self-select scheme, enabling you to choose your own stocks, but this could prove time-consuming and expensive. Your choices may also be limited. At the last count there were only about 30 companies offering genuine self-select PEPs with no limitations on which shares are bought. They are mainly offered by small stockbrokers, many of whom see the water privatisation issue as a heaven-sent opportunity to increase sales to the many investors who do not yet have PEPs. However, the "big boys" - the major clearing banks - do not want to know. Barclays, Midland

and National Westminster, which all offer self-select PEPs, have decided not to accept transfers of new issue water shares. NatWest, which has made quite a fuss in the past about the unrestricted choice offered by its Shareplan PEP, says that it is impossible for it to offer the normal new issues facility for water shares because of the limited time and the complexity involved in handling such a potentially big issue during a month which includes a long holiday period. Barclays says it would be an "administrative nightmare." Midland, after initially saying that it was prepared to handle deals over £1,000, changed its mind and said it lacked the staff to handle what could be a large and very expensive exercise. Lloyds, which claims to be

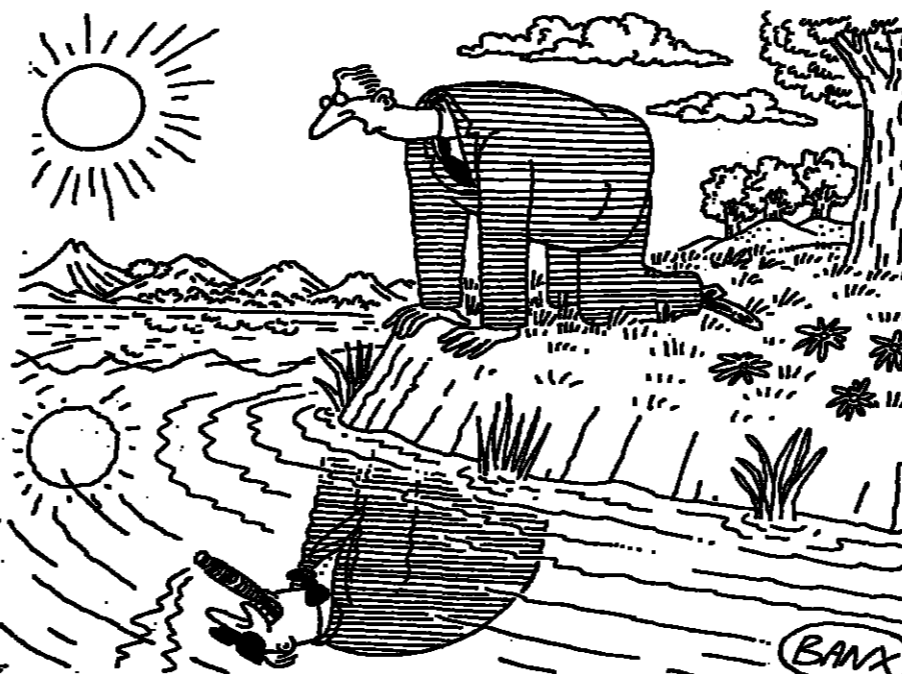
the largest seller of PEPs, has ducked the problem by simply not including water shares in the list of 30 shares from which investors can pick up to six shares in the bank's "choice" PEP. This leaves the field wide open to the banks' smaller competitors. Already several companies are offering special deals on water PEPs and no doubt there will be many more in the weeks ahead. However, investors should be wary. The charges involved in share PEPs can be very expensive and to a large extent offset the tax savings made, especially in the short term. Many of the stockbroking firms offering special "water" PEPs have dealing charges, including a minimum charge that could be very high in percentage terms on a small allocation. There are also "hidden" costs, such as charging for annual reports and accounts, reclaiming tax on dividends, or withdrawing from the schemes. Nevertheless there is considerable scope for investors to use water shares and PEPs as a means of building a substantial tax-free portfolio that could yield handsome dividends in years ahead.

Comparative Investments Ahead of the crowd

WILLIAM HALL on the 'competitors' THERE ARE various ways of valuing the new water utilities, and it is hard not to conclude that they all look attractive on conventional criteria. It is not impossible to find another recession-proof industry which is protected from inflation and foreign competition and is providing real long-term dividend growth better than the average equity. In the short term, it must be one of the safest equity investments around, yet it is being sold at an average price earnings multiple of only 12 times the market average - and is yielding a prospective 8 1/2 per cent, 70 per cent above the average. Of course, there are serious political risks, some management will perform better than others, and the prospect of consumer rebellions against higher charges should not be overlooked. Nevertheless, these sorts of multiples are also providing a 14 per cent risk and reward - the share prices do not collapse, the partly paid element means that the price will probably rise to the level of a fully paid share, and the return is high. British Gas, operating in a highly cyclical industry and vulnerable to foreign competition, was bought to market at 4.5 times its book earnings

SID AND DORIS didn't need PhDs in economics to buy shares in British Gas, and although they decided not to buy the BP offer came along two years ago, at least there was only one if it. As there are 10 different share opportunities in water, Sid and Doris may be somewhat confused. But, after so many public flotations many small investors are becoming more sophisticated and may like to spread their risk on the water flotation by applying for a small portfolio of shares in several different companies. Here are three possibilities: ■ The Fund Manager. Fund managers get a package containing shares from all the water companies, weighted according to the size of the individual businesses - a 100-share pack contains, for example, 176 shares in Thames, the largest water company, and just 30 in Northumbrian. If Sid and Doris decided to weight their mini-portfolio of water shares in the same way they would eventually receive 10 separate share certificates. They could take these to a stockbroker who would exchange the 10 pieces of paper for one certificate - similar to what the institutions will receive - which could be dealt as a package. Some analysts think the institutional package could be quoted for as long as two years. However, the original applications must be made for exactly the right weighting of shares (check the prospectus, or a broker, for the details), and it would have to be quite a hefty investment to offset the commission payable if and when the package was broken up. Private investors have certain advantages over the "big" investment institutions. They avoid paying any fees, and can buy shares provisionally allocated to the professional investors. And if demand is really strong, up to a

Picking A Portfolio Something for Sid Andrew Hill considers possible packages



third of the shares reserved for the public in each water company will be used to give larger allocations to pre-registered investors. What is more, there are incentives for those customers who pre-registered. Unless they have some vested interest in the company, Sid and Doris would be well-advised to take a stake. ■ The City Slicker. Doris - a veteran of several privatisations - would now like to compete with the pit-striped City types, "strapping" the issue, or at the very least getting some respectable early gains from her portfolio of water stocks. She has two choices. She could look at companies in areas where privatisation has proved popular in the past. Water companies like Thames, Anglian, Southern and even Severn Trent (which covers a wide area from Mansfield down to Gloucester) could well attract the highest investor interest. If they are over-subscribed they will be the ones to end the first day of dealings on a fat premium to the offer price. Doris might also look at the smaller stocks, such as South West. Though prone to pollution

accidents in the past year, it offers the highest yield of all, which might invite over-subscription. However, Doris will be unable to deal on Day One without her share certificates unless she has a very sympathetic broker so she might as well hold on to shares in Thames, Southern, and Severn Trent. These three have the best diversification plans that make them riskier investments - particularly those which have heavy capital expenditure programmes but shareholders receive greater benefits in a shorter period if management realised its ambitions. Among Northumbrian and Severn Trent, the former has a highly speculative takeover element because of the French presence in the region. ■ Widows and Orphans. Sid, meanwhile, is looking for a bunch of companies he can recommend to his ageing mother: nothing too exciting, but with a reliable income. The largest companies - Thames, Severn Trent and North West - have a solid enough record, but widows and orphans might prefer the smaller, more established, utility companies. The first two, North West has the largest capital expenditure programme, but management has shown its ability to cope with a big spend in the past and the company also promises a strong income. In addition, Sid may be tempted by Wessex - small and well-managed by Welch and by Yorkshire, which has the second highest yield, a strong utility management, and protection from takeovers. Yorkshire offers the same regional identity and good scope for cost-cutting on fairly substantial capital expenditure programmes.

Finally, Sid will be telling his mum that if she has any statutory water company stock certificates left in the attic, and she's not desperate for cash, she should hang on in the hope of further mergers in that sector.

The Political Risk Party lines on water

ANDREW HILL reports "THE low price of water shares and the industry's general opinion that the Government is worried that potential investors understand the high risks involved - but they do not necessarily make the shares a good buy. Fears about the condition of the infrastructure, the adequacy of long term investment plans, EC compliance and potential litigation mean there are significant disincentives for potential investors. "Labour is committed to taking water back into public ownership and control, and a Labour Government will be under intense pressure from the public to do so. This privatisation has the potential to create a more unpopular and consumer pressure will intensify as bills increase sharply. "We accept it will not be possible to have the industry in public ownership from day one, but powers in the Water Act would enable a Labour minister to alter the ownership of the existing regulatory regime. "For example, under section 26 (3) of the Act, Labour could set different priorities for the Director General of Water Services, so as to promote the interests of consumers by keeping prices as low as possible while investing to improve water quality and the environment. This may mean lower rates of return and share value for investors. "The impression has been given that cost pass-through will ensure a good return to shareholders. But the DG will be under increasing public and political pressure to use the cost take-away provisions, a little-recognised aspect of his powers, to ensure that shareholders do not benefit at the expense of consumers. Social & Liberal Democrats (SLD): "We believe water must be available to all, at an affordable price and a guaranteed standard. This requires strict regulations and quality standards. Proper accountability to consumers is essential to ensure water resources are managed in the whole community's best interests. "If it becomes clear that the only way to achieve these vital objectives is to take the water industry back into public ownership, we would not hesitate to take this course. "We would carry this through to a vote which fitted snugly into our proposal for regional assemblies, by creating regional water companies with regional regulators. Social Democratic Party (SDP): "We favour privatisation where it is in the interests of the consumer. Water is the most natural of the natural monopolies, with no scope for competition that is so crucial to privatisation's success. We therefore oppose the flotation. "The privatised water businesses will be just as profitable as public ones. If standards prove too low we will bring forward proposals to increase the powers and resources available to the National Rivers Authority and the DG of Water Services. We would also have to review the ownership of the businesses and consider re-establishing a local authority interest and greater public accountability. The Green Party: "We believe a clean water supply, as a basic human need and right, should be owned in perpetuity by the community. "We demand adequate drinking water and environmental protection, rigorously applied standards and an enforcement agency free from vested interest and supported by punitive powers. These goals cannot be fulfilled by privatisation, or by traditional state ownership. "Through a localised, and potentially dual supply system, purification would be concentrated at the point of distribution. That would offer considerable opportunities for economy, quality, and local community control. "Our society's massive intervention in the natural water cycle can only be sustained by returning water to the system in an ecologically neutral way."

What The Brokers Say It's a winner Sara Webb on the experts' view

"G6 FOR IT" is the standard stockbroker's response to a man - when asked whether his private clients should buy water shares. "It's a good one - we think people should buy it," says Roger Brearley, senior partner in the City's leading water broker, even though he is generally advising clients to hold off buying at the moment as he expects to see the market drift down before the end of the year. One of our clients are very interested in water - to a man," says John Gartside, senior partner at Farley & Thompson in Bournemouth. "The terms are very good and it's a very good steady stock for the medium term with a particularly attractive yield, which will probably increase after the third year."

Regulation Water's watchdog Andrew Hill on the man who will keep the sector in line

IAN BYATT, formerly deputy chief economic adviser at the Treasury, is a man who should be watched carefully. As the new Director General of Water Services he and a staff of about 100 based in Birmingham are responsible for the economic regulation of the newly-privatised water industry and the 29 statutory water companies already in the private sector. Rumour has it that the first drafts of the water prospectus painted, under Byatt, a rosy regulated future for water investors. That was based on his statutory duty to ensure that water and sewage functions could be properly carried out and that water groups could finance these through price increases. In the final draft, water companies have been allowed to express a little more caution about the regulator, who has to answer to consumers as well as investors. Byatt himself seems keen to take into account advice from the City as well as from his 10 customer service committees which are expected to pass on consumers' gripes to the DG. As for the possibility of political influence, he is adamant that he is independent of the Government. But responsible to the Water Act. Consumers or companies who dispute the small print can take their case to the Monopolies and Mergers Commission. His desire to issue an annual report should give investors an early chance to gauge how assiduously he intends to carry out his duties.

The Privatisation Record Priced to sell and succeed William Hall reviews the record of previous Government flotations

ONE OF THE less risky ways of making short-term profits in these turbulent times is to take a punt on the latest UK privatisation. And even in the small UK market there are some suspicions, it is a lesson which has not gone unnoticed by many of the more savvy international investors. Of course, there have been some embarrassing flops. Three quarters of the November sale of British Telecom, coal and rail in various stages of the pipeline, the Government has to ensure that water does not dampen investor appetite for future issues. More than a dozen newly-privatised companies are now listed on the London stock market and more than £28bn has been raised. They have a stock market capitalisation of close to £20bn, or a sixth of the total market. Whatever one thinks about the wisdom of selling off many of these state enterprises, their sheer size in the stock market means that they cannot be ignored. British Telecom and BP are the two biggest companies in the UK, and British Gas is larger than ICI. New privatisations have been generally priced so that they go to a decent premium in the short term. County NatWest WoodMac has analysed the post-privatisation performance of British Aerospace, Cable & Wireless, AB Ports, British Telecom, British Gas, British Airways, Rolls Royce and BAA. Out of these, only Rolls Royce failed to outperform the market by a significant amount in the first six months.

PRIVATISATION ISSUES						
Company	Proceeds (£bn)	Date	Issue price (£/share)	Current price (£/share)	Staring yield (%)	Current yield (%)
BP	7.0	Oct 87	330	300	5.2	6.5
British Gas	5.4	Dec 86	135	201	6.8	6.3
WATER	5.3	Nov 89	240	-	8.5	-
Brit Telecom	3.9	Nov 84	130	268	7.1	6.5
Brit Gas	2.5	Dec 85	125	120	6.0	6.2
Rolls Royce	1.4	May 87	170	160	4.1	5.4
BAA	1.3	Jul 87	245	349	3.7	3.8
Cable & Wireless	0.9	Dec 86	293	481	5.4	2.2
Brit Airways	0.9	Feb 87	125	201	6.4	6.3
Brit Aerospace	0.6	May 85	375	514	5.2	5.5
Britoil	0.5	Aug 85	195	500	4.9	4.9
Enterprise Oil	0.4	Jun 84	195	818	5.4	2.5
Anger	0.3	Jul 84	165	330	6.7	1.8
Amersham	0.1	Feb 82	142	382	6.6	4.1
Assoc. Brit Ports	0.1	Apr 84	112	581	6.9	2.5

British Telecom, for example, outperformed by 22 per cent and British Gas outperformed by 10.5 per cent. Even British Steel managed to outperform the market before its share price collapsed last summer. However, the question of whether privatisation issues are sound long-term investments is more debatable. This year their record looks reasonably good. Only three of the 13 privatisation stocks - Amersham, British Steel and British Telecom - have underperformed the market. But their

record as safe and dependable defensive stocks is less persuasive. Over half of the privatisation stocks have underperformed since the equity market peaked in July 1987. A giant utility, like British Telecom, is never going to keep up with the ego stocks in a bull market, but it should outperform in current bearish conditions - and it has not. Similarly, the longer term record of individual flotations is extremely patchy, especially if one assumes that they were underpriced when they were

WESSEX STEALS A MARCH

WESSEX, one of the smallest of the water companies, has effectively stolen a march on the other nine by winning a prestigious award in the run-up to the flotation, writes Richard Evans. The Government and its advisers are anxious that all 10 former water authorities should have no special advantages at flotation, and a complex handicapping process has sought to make them look as equally attractive to potential shareholders. The chairman and senior executives have even been instructed not to give interviews that would entail "selling" their company more than any other. Now Wessex, which prides

itself on its use of high technology, particularly in dealing with customers' queries and problems, has been highly commended in the annual awards of the British Quality Association, to be presented in London next Tuesday. The citation is for the company's "achievement in utilising modern technology to provide an excellent quality of service to the customer, and for its commitment to high standards of performance." The awards scheme was launched in 1984 by the BQA to give a practical impetus to the Department of Trade and Industry initiative for improving the quality of British-made goods and services. Wessex is among the first service organisations to receive a top award.

Shareholders who paid 185p per share for the second tranche of Britoil were bought out by BP for 25 less than three years later. Similarly, the original investors in Jaguar have been rewarded with five-fold increase in little more than five years as a result of Ford's takeover bid. However, the chances of shareholders in privatisation issues being bought out at fancy premiums are very rare. There is always a possibility that stocks such as Amersham, Enterprise Oil, and Associated British Ports and those which have been the subject of takeover bids. Shareholders who paid 185p per share for the second tranche of Britoil were bought out by BP for 25 less than three years later. Similarly, the original investors in Jaguar have been rewarded with five-fold increase in little more than five years as a result of Ford's takeover bid. However, the chances of shareholders in privatisation issues being bought out at fancy premiums are very rare. There is always a possibility that stocks such as Amersham, Enterprise Oil, and Associated British Ports and those which have been the subject of takeover bids.

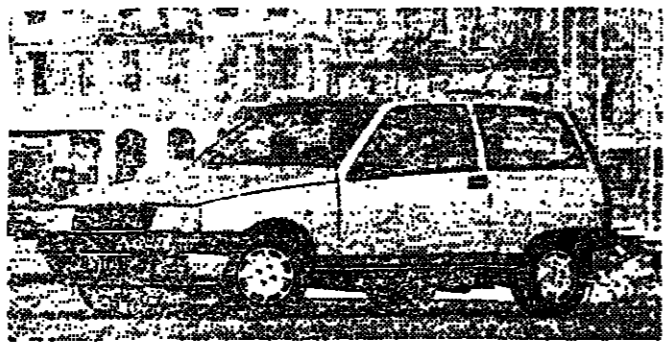
Investors should remember that there is a very big difference between the Government's interest in the flotation being an initial success and its concern for the long-term health of the company. The Government's interest is in the flotation being an initial success and its concern for the long-term health of the company. The Government's interest is in the flotation being an initial success and its concern for the long-term health of the company. Finally, there is always a danger that newly privatised companies will want to spend large amounts of their shareholders' money on questionable diversification moves. Privatisation stocks are a good short-term bet, but a much more questionable long-term investment.

MOTORING/GARDENING

WE ALL dream of having the open road to ourselves in a fast car...

Automatic and agile

Lancia's Selectronic boasts a big personality, says Stuart Marshall



The Y10 Selectronic... relaxing to drive around town

The Y10 Selectronic... relaxing to drive around town

What we really need for these conditions, although at present few seem to appreciate it...

Perhaps it looked just too distinctive, so that potential Y10 buyers turned to cars like the Metro, Fiesta, Citroen AX...

Perhaps it is the original swingers' turn again. Now middle-aged, they know an automatic makes sense for town driving...

diameter according to the driver's demands. The principle is the same as that of the DAF Variomatic...

It chooses exactly the right ratios for maximum acceleration, economical high-speed cruising...

France. Even in November, the Promenade des Anglais in Nice was full of aggressively-driven cars.

Being first away from the lights seems to be an obsession with local motorists.

Among them are suede-like Alcantara seats, power-operated front and rear windows...

The Selectronic has a height-adjustable steering wheel as standard. The UK specification has not been settled yet...

Small wonders from Japan

JAPAN'S - and they are also tiny - cars are a real Tokyo's horrendous traffic congestion has spawned a whole breed of tiny cars...

are their exceptional value: they are also tiny because of their masterpieces. But don't run away with the idea that Japan's idea of a cheap, small car is necessarily basic...

Take the Mitsubishi Dangan ZZ. Dangan means bullet in Japanese, and it's a fair description of this pint-sized wonder car...

Typical of these mainly-for-women runabouts is the Mitsubishi Minica range...

The Mitsubishi Minicas, like those of other manufacturers such as Toyota, Honda, Nissan, Subaru, Daihatsu, Mazda and Suzuki...

Prices start from as little as Y500,000 (roughly £2,300) and owners pay only Y7,300 yen (£32) annual registration tax on them.

It's just made for driving in the Suzuki Alto. It has a sliding door on either side and a driving seat that swivels 90 degrees so you step straight on to the pavement.

BOTH MY hands today are slams and come from rubber bridge. Look first at this:

Handwritten bridge notation showing cards and suits.

returned the nine, which he ruffed high. Drawing the last trump with his king, South cashed his spade king...

With North-South vulnerable, South dealt and opened with two hearts. North replied with three hearts...

Now for the second slam:

steep hills. The Y10 Selectronic is powered by a 1.1-litre, fuel-injected Fiat FIRE engine...

A sensor, such as that used on engines with catalytic converters, analyses the exhaust gases continuously and adjusts the fuel system to provide the leanest, least-polluting petrol/air mixture...

Around town, the two-pedal Y10 is relaxing rather than fussy to drive. On the motorway at 80-85 mph (130-140 km/h), though, the engine grows like a Jack Russell catching sight of next door's cat.

The Selectronic has a height-adjustable steering wheel as standard. The UK specification has not been settled yet, so I cannot say many of the items on the options' list will be included.

Having two-pedal transmission is expected to make a Selectronic cost 7-8 per cent more than its manual gearbox equivalent...

Branch managers battle it out

Robin Lane Fox watches a balancing act on some favourite trees

MY GARDEN has been the scene of a remarkable balancing act recently. I sit and watch while one party tries to fend off foreign raiders, keep a dangling bunch of delicacies just out of everyone's reach...

experiment has been the neglected sorbus Americana. It is an easy tree that will grow well anywhere. I admit that the leaf looks rather feathery and the off-white fluffs of flower are a bit much in mid-summer...

My aim is to develop a line of Americans against a gift stone boundary wall where their narrow, upright shape will rise above the height of the wall without obscuring the light and stopping plants from growing underneath...

That said, my own Joseph Rocks are also about to have a disturbed winter. I put 20 trees in the outer walks of my five-branched short avenues...

For me, the standard of commercial apple-growing increased so greatly - mainly because of improved pest control...

They were replaced with a miscellany of varieties including the delicious Ashmead's Kernel, with a lightly russeted skin...

There are two fine half-standards of Crimson Bramley that spread over the hedge and into the farm lane...

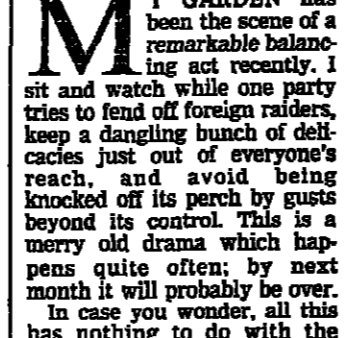
South crossed to his club king, returned to the diamond queen and discarded his losing heart on the ace of clubs. He ruffed a heart and led a spade.

At game-all, South dealt and opened with one spade. Don't look askance - the bid is quite correct.

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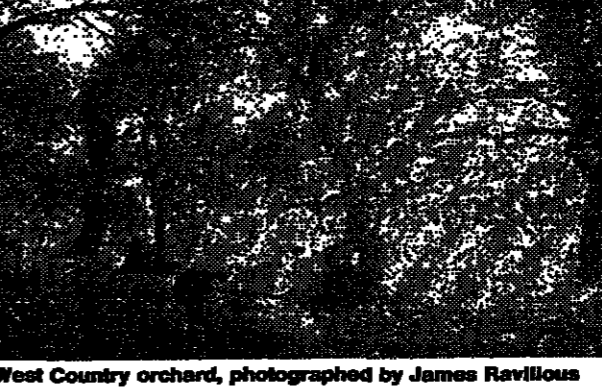
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Over 50 but still fruity

Arthur Hellyer continues to enjoy his pre-war apples



A West Country orchard, photographed by James Ravillous

catching for a considerably longer period in autumn when weight is down with enormous crops of deep-red fruit.

There is also Crawley Beauty, a forgotten local apple with exceptionally wide-spreading branches. It is impossible to accommodate in commercial orchards...

It is also a very reliable cropper because, by the time it flowers, all danger of frost is over and there are plenty of bees flying to pollinate it.

Crawley Beauty must be highly self-fertile for there is no other apple blossom left to cross-pollinate it.

I like my apples baked, and for that I need big fruits such as those of Bramley seedling and Newton Wonder or S. Wright, the latter a forgotten

in this (quint). Potential owners of sap avenues need to be warned that they should not mix two types of tree with leaves of different shapes.

Others took his place: but despite many protestations of good-will, two thoroughly Irish racing tips (both came last) and a promise of action as soon as the weekends were free.

Any way, if in doubt buy sorbus Joseph Rock and rely on it. None is better in its class and, personally, I can never think of a better generally small garden tree...

Potential bulldozer men swarmed optimistically at the rustle of tenners in an envelope: one of them even went so far as to stake out the exact limits of the job...

That said, my own Joseph Rocks are also about to have a disturbed winter. I put 20 trees in the outer walks of my five-branched short avenues...

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MOTOR CARS

Advertisement for B.M.W. Authorised Dealers, listing various models and prices.

Advertisement for Porsche 959 Race Version, featuring technical specifications and contact information.

Advertisement for Saab Authorised Dealer, Holbein Saab, located in London.

Advertisement for Citroen Traction Avant, highlighting its L/H drive and performance.

Advertisement for Saab in Warwickshire, offering prompt delivery of new Saabs.

Advertisement for Classic Cars, featuring a 1935 Crossley St. Regis.

Advertisement for Motor Car Advertising, appearing every Saturday in the Weekend FT.

Advertisement for St. Joseph's Hospice, located in Maresfield, East Sussex.

Advertisement for Telephone Jocelyn Hunter, providing contact details for local services.

Advertisement for Appeals, providing contact information for legal services.

Bridge game advertisement titled 'In my heart I knew this was the final blow', featuring a card game diagram and analysis.

Handwritten signature or note in Arabic script.

TRAVEL - SKIING

IN FRANCE snow is called 'blanc' - white gold - because of the way it has helped make the Alpine ski stations so lucrative in the past.

In January, putative skiers were playing golf at Megève while in Morzine it was possible to climb into the mountains to collect flowers.

However, the jury still appears to be out on global warming's effect on the European skiing industry. In spite of using supercomputers, the scientists who try to assess the impact of the greenhouse effect on various regions continue to face conundrums.

But even if the chances are that the snow will be good this year, some ski station managers are not trusting nature alone to guarantee skiable pistes.



What the French call 'For blanc' (white gold) and the English call 'snow'

The cannons are primed for winter battle

Paul Abrahams looks at the steps taken by European resorts to combat lack of snow

The French ski stations appear to have invested less in snow-making equipment this summer. Joel Derac, head of sales at York, the Lyons-based manufacturer of snow cannons, says this is partly because the communes running the resorts have had two seasons of poor financial results.

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water as it is passed through tiny nozzles. The water droplets are sprayed out into the cold air where they crystallise into snow.

At the technical session of the Saison International de l'Aménagement en Montagne de Les Arcs this September, one of the most keenly watched demonstrations was that of rock breaking equipment, which breaks up stones before humus and grass seed is sprayed on to the slope.

ated by bulldozing the mountain sides into shape.

This had the effect of burying what little top soil existed and bringing sterile ground to the surface. The effect of this sterilisation was to create large tracks of land on which there was no vegetation.

At the technical session of the Saison International de l'Aménagement en Montagne de Les Arcs this September, one of the most keenly watched demonstrations was that of rock breaking equipment, which breaks up stones before humus and grass seed is sprayed on to the slope.

One final method of increasing the possibility of skiing during dry and warm periods which is being investigated by resort managers is to invest in large-scale lift projects.

In conclusion, then, those pessimists or realists choosing a resort for December and early January in the expectation that there will be little snow should:

Deadly cakes cooked here

FORGET THE avalanches and crevasses. What remains scaring in a chalet in the Swiss village like Champéry, there is a danger: Rosie's cakes.

You must at all costs avoid returning too early from the slopes or your waist line is doomed. For every calorie you may have sweated off in the mountains, there will be a hundred waiting patiently to ambush you as soon as you slump into a comfy kitchen chair.

Afternoon tea, as taken by Britons in Swiss chalets, is the single most insidiously gratifying facet of a skiing holiday. It is an integral part of chalet life, and after an exhausting day's skiing nothing could be more tempting.

A keen skier who gets a move on could visit every one of the 15 resorts, although this might mean skipping lunch.

Officially, passports are not required since the Soled circuit is also known as "le ski sans frontières", but on very rare occasions a skier may be asked by a customs officer to empty the contents of his knapsack.

Sometimes skiers trying to find their way across the border find it tricky. It is essential to leave plenty of time, especially if you are contemplating skiing the feared Chevalette or Swiss Wall to get you back to Swiss territory.

However, having made a temporary home in the Café Le Tavallin, where Paul Gilbert, the proprietor, took pity on us, we finally scrounged beds for the night from a couple of generous Bladon Lines reps, and were up bright and early to ski back to Switzerland.

Arnold Wilson

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UK. Announcing the opening of the newly refurbished ASTON COURT HOTEL. Central London location and only a few minutes walk to Olympia and Earls Court exhibition halls.

UK. THE HEIGHT OF CHRISTMAS LUXURY. Only a few places remain at the elegant Beedfield House - a picturesque and friendly country house close to Bath.

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Making the going easy

Martin Dickson finds a handy way of hiring skiing gear

HIRING SKIING equipment - usually one of the least enjoyable parts of a holiday - could become easier if pilot schemes under way in the French resort of Meribel prove successful.

There are normally two drawbacks in hiring equipment when you get to the resort. The first is long queues in the local rental shops on Saturday and Sunday change-over days as everyone rushes to get fitted out and on to the piste.

The second is the dubious quality of some of the equipment: skis that are in the twilight of their natural lives, with rather less edge than a scaffolding pole.

Until now the alternative (apart from owning your own equipment) has been to hire good skis in the UK and take them on holiday with you.

The new Meribel pilot schemes solve this problem. The skier chooses and pays for his equipment in Britain - whether through Snow and Rock or Airport Skis - and the company then sends a message to its office in Meribel, which sets aside identical, properly serviced equipment for the skier's holiday.

for his equipment in Britain - whether through Snow and Rock or Airport Skis - and the company then sends a message to its office in Meribel, which sets aside identical, properly serviced equipment for the skier's holiday.

Robert Jaffe, founder of Airport Skis, says that, quite apart from convenience, it is much cheaper to hire skis this way than in the resort. A pair of test skis costs £39 a week to hire through his company, which is well below the local cost.

Similar change could now be under way in equipment rental, which is a huge and very conservative market.

But the figure could grow substantially if the Meribel experiment is successful. Airport Skis and Ski Cocktail are already talking about opening offices in other French resorts.

Certainly, the new companies will be a shock to many local rental shops, forcing them to compete more aggressively. And that should benefit the consumer.

DIVERSIONS

Diggers beat the pile-drivers to expose Southwark's rich history

Gerald Cadogan reviews a decade of archaeological finds and speculates on what lies ahead

DISCOVERY of the Globe and Rose theatres has made 1989 a vintage year for archaeology in the London borough of Southwark...

The Romans set about coping with the river. They dug drainage ditches and made timber embankments to control the water in the main channel and the inlets and to provide jetties...

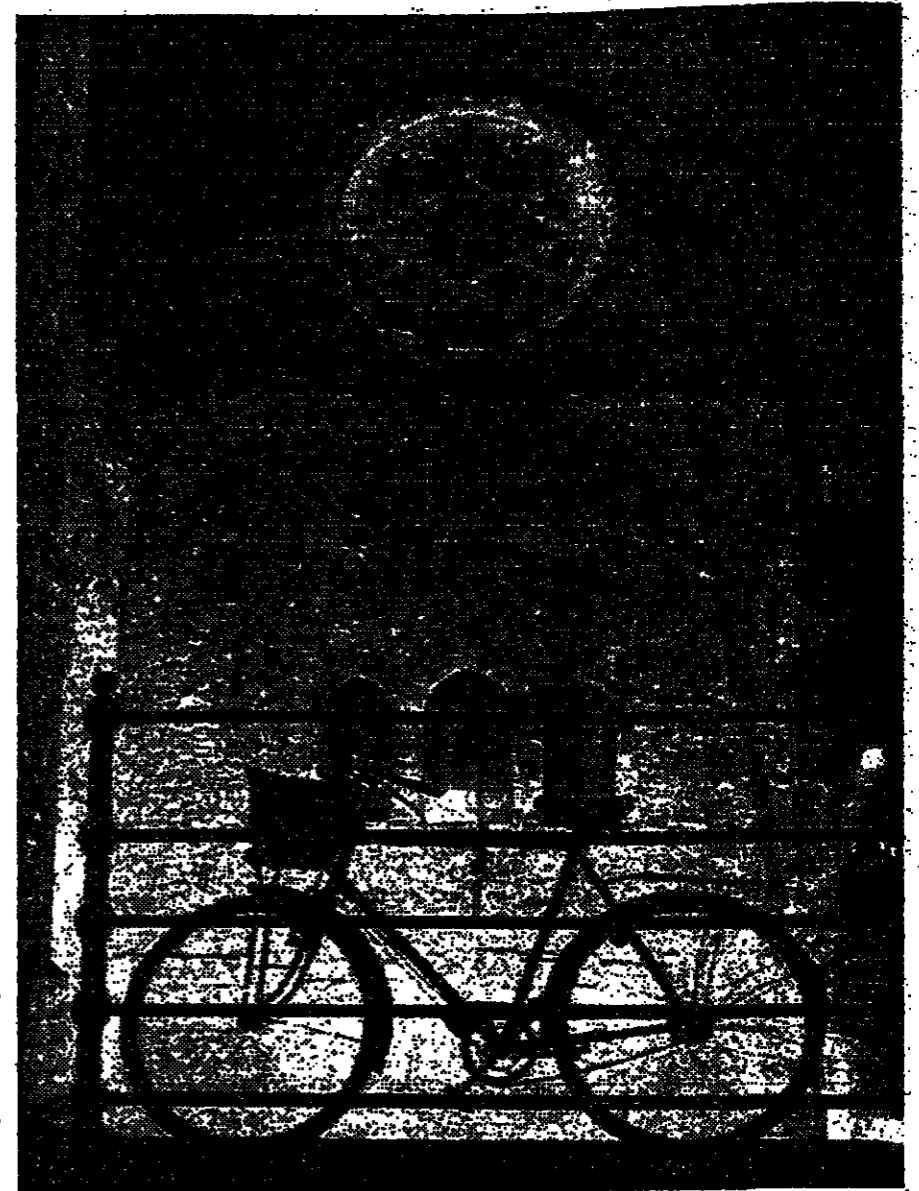
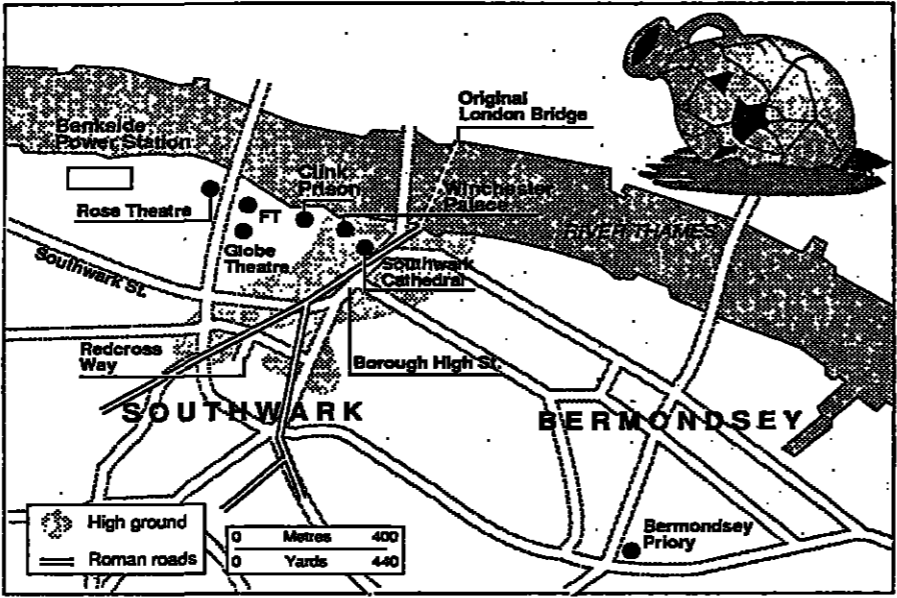
This year provided the first hint that the Roman settlement was planned on a grid system (like Londinium) when a road was found at Redcross Way...

work was abandoned. Although Southwark and Bermondsey are Saxon words, few Saxon remains have been found...

The river is where the story starts. A natural route and source of food, it needed bridging and it flooded. North Southwark began as low gravel islands (eyots) in the flood plain...

Southwark probably grew as fast as Londinium, its neighbour across the river. The best recent find has been a large (11m x 4.5m) timber warehouse...

From the later 2nd century, Roman Southwark started to decline, except by the river. It was the same story across the river in Londinium...

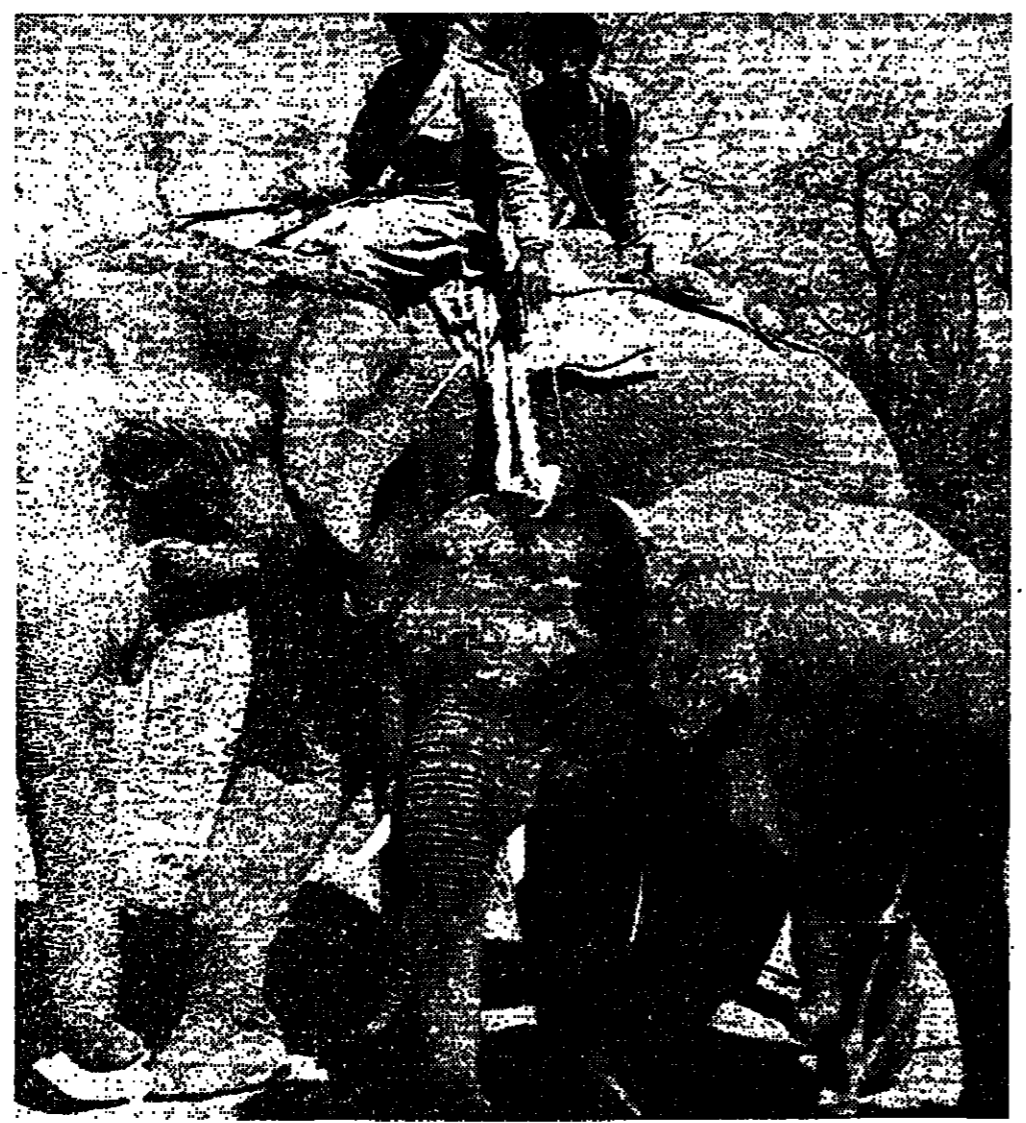


Winchester Palace's rose window, which was added in the 14th century

export as far as America. The Platform Wharf pottery was converted out of a handsome 14th century manor that probably was built for Edward III...

When elephants took the place of tanks Mani Deb looks back on an Indian tradition

HOKORA WAS a lanky man with twinkling eyes and an impish smile who could, when not high on cannabis or rice wine, recount exciting tales of life among the elephants...



A phandi and his mahout ride their koonkee with a newly-captured wild elephant alongside

able animals are extracted for training. Basic training takes two to three weeks although the older the elephant, the longer...

When one of my ancestors was defeated by Moghul forces and taken to Delhi in 1512, Emperor Jahangir gave him back his kingdom for a large sum of money...

Under this method, known as mela shikar, there is virtually no mortality - unlike the kheda shikar practice when whole herds are driven into strong wooden stockades...

trained for the circus. Training sessions are punctuated with exaggerated praise for the young elephant and traditional songs extolling its virtues...

The Genius of the Place Life cut short in the flower of creation

WHEN THE cat is run over, or when our lovers leave us, there is always the tiresome consolation that life goes on. And so it does for most of us...



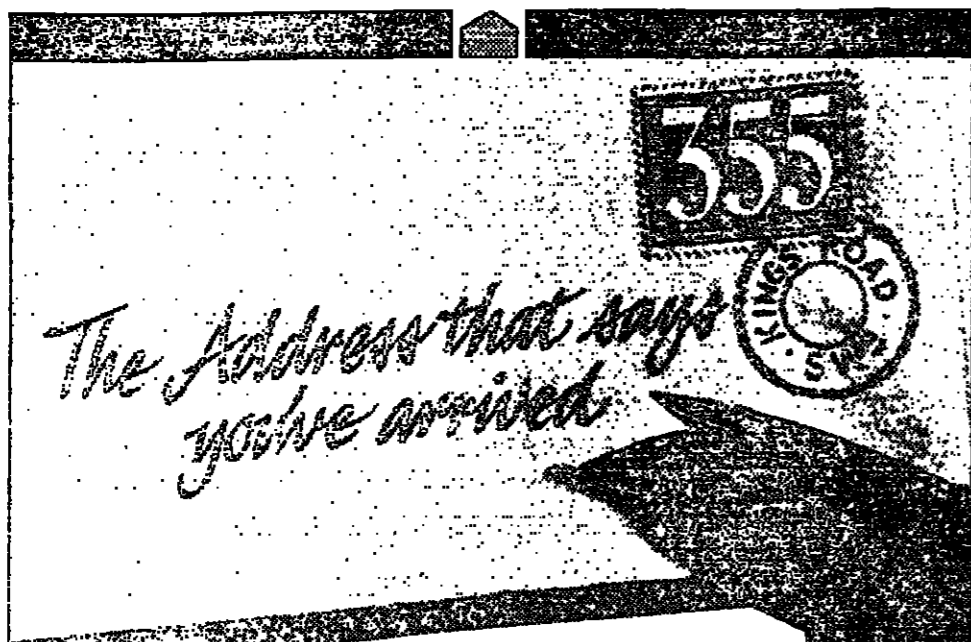
Keats on his deathbed sketched by a friend, Joseph Severn

Wine, women and snuff and I like him for his hour-long fist fight with a beery butcher's boy whom he encountered torturing a kitten...

with her mother to nearby Downshire Hill. Fanny is a vignette: her profile is coquettish, but she is never more than a cut-out or shadow...

Handwritten signature or note at the bottom of the page.

LONDON PROPERTY

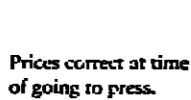


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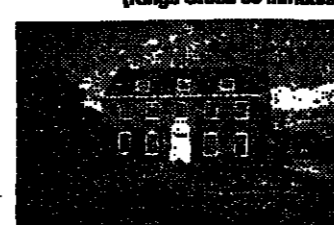
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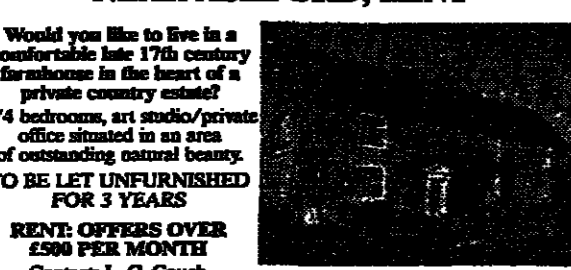


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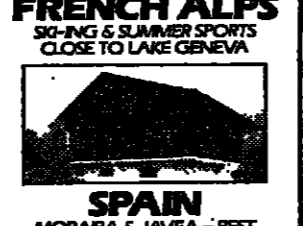
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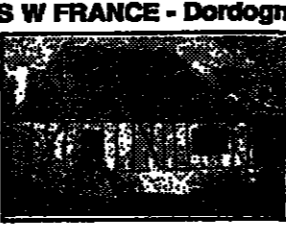
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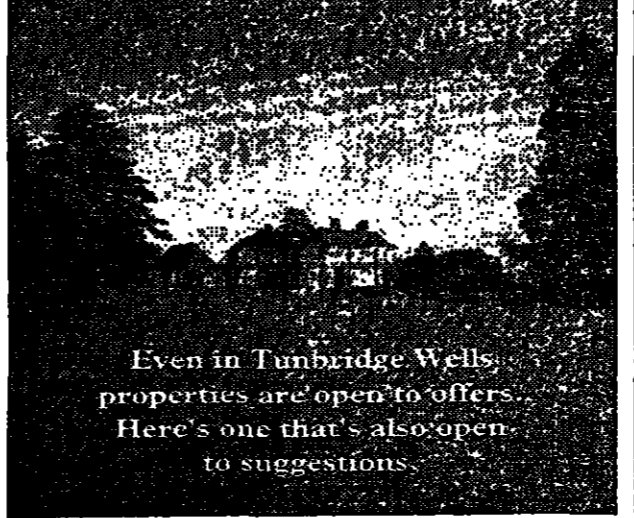


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Ely Grange is suitable for any number of uses and this beautiful estate could be redeveloped into anything from an office headquarters, hotel or leisure complex, to a private hospital, training centre or conference facility.

There are seven cottages, outbuildings, an indoor pool, 63 acres of gardens and parkland and the possibility of acquiring further land.

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**Through the Weekend
FT Property Pages**

To advertise your property in the Saturday property pages, simply complete the coupon below and return it to: Francis Phillips, Classified Sales Manager, Financial Times, Number One Southwark Bridge, London SE1 9JL.

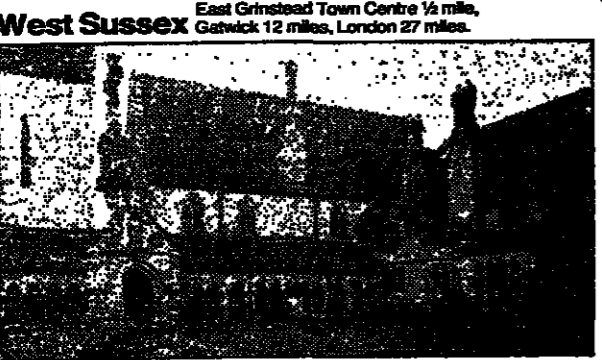
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Please insert the following copy in the Weekend FT on Saturday 1989

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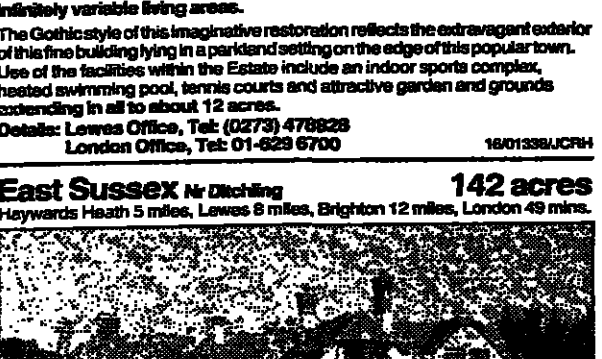


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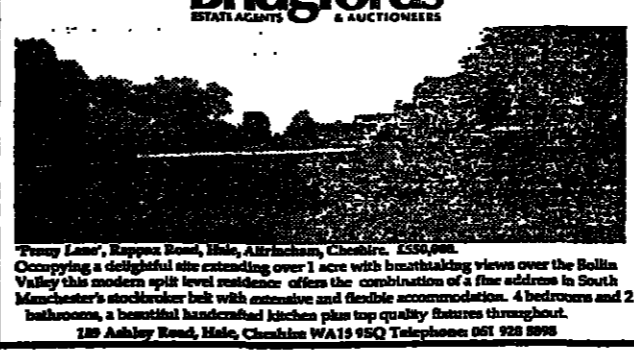
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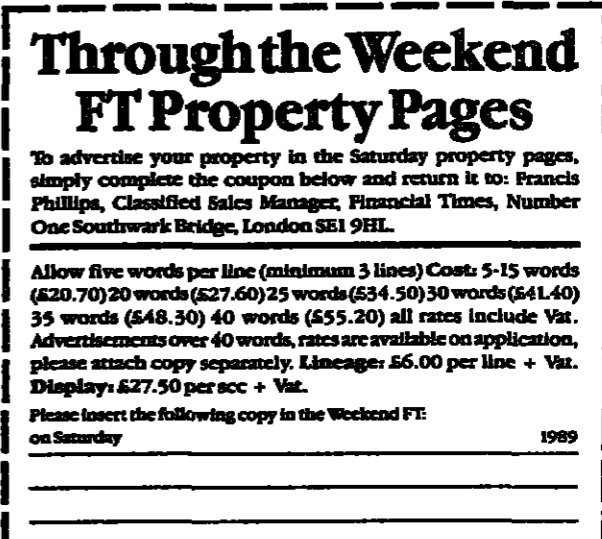
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BOOKS

A rackety highbrow life

Gentlemen never stopped preferring this lady, says Anthony Curtis

UNTIL two years ago, although she had previously published some fiction, Barbara Skelton was famous for being Barbara Skelton rather than for her books. Then there came her first volume of autobiography which set the table on a roar. "Uniquely savage memoirs of a rackety highbrow life" (Anthony Powell). "The description of Connolly's courtship and marriage provides some of the funniest reading I can remember" (Auberon Waugh) — are two typical plaudits from contemporary writers who have the quite rare distinction of not appearing in the text.

As a child Skelton had quite a hard time. Hence her title, *Tears Before Bedtime*. She did not discover much accord with her parents. Her mother was "a beauty, a Galley girl. Her father was in the army but invalidated out after a severe heart attack. He was a direct descendant of Sheridan. Skelton inherited her mother's good looks, and something of the quite rare dramatist ancestor's gift for seeing through people, particularly literary people. Her main education was, like his, in the school for scandal.

The first scandalous affair was when she was a girl in India. From then on gentlemen never stopped preferring Skelton. Her biggest pre-war catch

WEEP NO MORE
by Barbara Skelton
Hamish Hamilton £14.95, 166 pages

TEARS BEFORE BEDTIME
by Barbara Skelton
Hamish Hamilton
(paperback) £6.99 203 pages

was King Farouk, who made several appearances in volume one. That first volume took the reader through Skelton's return to England, her model days at Fortnum's, her entry into the world of the Café Royal where the likes of Augustus John loomed lecherously large across the marble-topped tables.

Skelton soon made her presence felt in that bohemian world with its inebriated values, its horror of boredom. What no one seems to have realised then, people like Peter Quennell, Ian Fleming, Evelyn Waugh, all of whom she came to know, was that there was hidden in her a writer wanting to get out. She was a Boswell putting it all down the next morning.

Sometimes Skelton quotes for pages at a time directly from her diary; in *Weep No More* there are the diary pages describing the duration of her



Barbara Skelton: famous for her scandalous affairs

marriage to the critic Cyril Connolly. These are some of her most hilariously detailed descriptions, showing the great man in all his foibles, and in all his charm too, but I do wish she would give the dates of the entries when she does that. Connolly was succeeded by George Weidenfeld who, in addition to marriage, offered Skelton a job with his company.

The scene then moves to the south of France and her next

Classics as gifts

FOR ANYONE seeking a handsome new edition of a classic to give as a present this Christmas, there are several attractive possibilities. Best buy must surely be Trollope: The Barsetshire Novels, all six of them, from Oxford University Press at £45.00 the set. These are hardbacks with up-to-date introductions and Mr. Ronald Knox's sketch map of Barsetshire included in each volume.

Another complete set but within the same covers is a fine illustrated edition of Shakespeare: The History Plays (Barrie and Jenkins, £19.95, 448 pages). The text is interspersed with illustrations of relevant works of English medieval art and the king who gives his name to each play has a miniature picture of his head at the top of each of its pages.

Single volume editions of several standard authors compete for space in the bookshops this year. The Nonesuch Books has revivified the remarkable omnium gathrum editions for the general reader from the Nonesuch Press before the war and will add new ones to them. So far they offer *Prose and Poetry of William Blake* (£20.00, 336 pages). The Complete Works of Lewis Carroll introduced by Alexander Woolcott (£20.00, 1165 pages) and a real collector's Nonesuch item *The Wrong Box* (£26.00, 226 pages). Apparently the first edition 100 years ago was full of errors: the publishers never received Robert Louis Stevenson's corrected proofs sent by him from Honolulu. This edition edited by Ernest Mehew puts that right and gives Lloyd Osbourne his due.

Another edition of Blake: *The Complete Poems* comes from Longman (£29.50, or paperback £14.95, 386 pages). This is a second edition, incorporating recent scholarship of the volume edited by W.H. Stevenson in the Longman Annotated English Poets series which is widely used in universities. Volume 1 edited by Geoffrey Matthews and Kelvin Everest (Longman, £30.00, 595 pages) is an important new volume in the same series.

Browning died in Venice in December 1889. To mark this we have *A Centenary Selection From Robert Browning's Poetry* (The Browning Institute and Constable, £14.95, 196 pages) edited and introduced by Michael Meredith, and a new volume, *Robert Browning in the Penguin Poetry Library* edited with an introduction Daniel Karlin (£4.50, 349 pages); while 50 years on from the death of the great modern English poet Macmillan have brought out a fresh one-volume edition of Yeats's *Poems* edited by A. Norman Jeffares (£20.00 or as a paperback £8.99, 761 pages).

Rigid man unbends about his friends

J.D.F. Jones finds the attraction is in the telling

ABSENT FRIENDS
by Geoffrey Wheatcroft
Hamish Hamilton £15.95 291 pages

Like the hours, the Londoner's Diary in the *Standard* (he disliked the hour), an historian of South Africa, a frequent butt of *Private Eye*. He has now turned to higher things, including a book on the Wagner and a house in the country, but in the interval, while "resting," as he says, he has thrown together this curiously fascinating and readable volume — for which I am sure he would make no great claims — about a score of his friends and acquaintances. The twist is that they are all dead.

"These were all people whom in some degree I knew, liked, loved, admired, and of whom I would make no thoughtless mention made me think better of myself" (this last phrase is acknowledged as being Ayer of Orwell). That sums it up, and covers the awkward disparity between the mere acquaintances

and liked them.

It is a rather small world, of course, which might quite easily irritate the outsider, but the attraction is in the telling. When Wheatcroft returned to London after the mysterious death of his friend Dempsey he felt "rather like Joseph Cotton in the Third Man." Of the suicide of Canon Bennett, "there is less to this than meets the eye." Of afternoons in Soho drinking clubs, "we misspent our youth, led lives of noisy desperation, grew old gracelessly." Of Coronwyss of the Welsh boy on the make. Of Freddie Ayer on himself — "My books aren't in the least bit difficult. They are full of error, but entirely lucid."

There is much more in this vein and in this style. I look forward to the Bayreuth book and — many, many years ahead — the fuller memoirs of the man already immortalised in *Private Eye* (and not without good cause) as the rigid man.

between the mere acquaintances (Dwight Macdonald, Philip Larkin, Ian Moncreiffe, Coronwyss, to name just four) and the true and absent friends.

The burden of the book is devoted to Gareth Bennett, the clerical don of New College who killed himself two years ago after exposure as author of a notorious Crookford's Preface — and who had been Wheatcroft's tutor, Michael Dempsey, a dear friend and a drunk; Hans Keller, the Third Programme's arrogant "man of genius"; Shiva Nalpaal, "an immensely great writer" (was he?), whose memory has been taken up by *The Spectator*, which also once employed Wheatcroft; and a quiver of other more-or-less known personalities whose qualification is that Wheatcroft knew them

Steeped in the Steppes

THERE ARE two attitudes of mind which colour most foreign reporting from the Soviet Union, attitudes which the Russians themselves describe as *poloshchinye* or positive, and *antishtatnyy* or negative. The first is characterised by Lincoln Steffens: "I have seen the future and it works," the second by a later visitor's more disenchanted view: "Upper Volta with rockets."

Between these two extremes, Patrick Cockburn, the FT's Moscow correspondent from 1964-68, sensibly steers a middle course. *Getting Russia Wrong* is largely made up of his dispatches from that period, grouped together to illustrate particular themes: ethnic politics, glasnost and corruption, the economy, foreign policy, military exigencies, and so on. He was able to travel fairly extensively, and his notes on Georgia, the Soviet Asian Republics, Eastern and Western Siberia and the Virgin Lands are especially vivid and informative.

There are, of course, risks involved in re-printing newspaper reports. For example, in reviewing Mikhail Gorbachev's first year in power, Cockburn remarks that the pressure of structural economic change might be greater if the Kremlin

GETTING RUSSIA WRONG: THE END OF KREMLINOLOGY
by Patrick Cockburn
Verso £22.95 (£8.95 paperback) 238 pages

faced an economic crisis or a fall in output. In fact, despite ossification of parts of the economic structure and the failure to modernise, it faces neither. "Was that so, when that disaster was written in December, 1967? It was certainly contradicted a short time later.

One must also enter a caveat about his treatment of the nationalities' problem. "Nationalist unrest," he writes, "has emerged as the single, most potent, but also most misunderstood, threat to Gorbachev and reform." But he continues: "Some theories are not so much untrue as irrelevant. Thus, the relationship between Russians and non-Russians is changing, but there is no reason to suppose that a fall in the number of Russians below half the population will have a significant impact on the distribution of political power."

This begs several questions. First, the demographic curve is tilting ever more rapidly against the inhabitants of the

Great Russian heartland, and although the latter can maintain control for the foreseeable future, this will become more and more difficult. Second, speculation about population trends was for many years a taboo subject, and despite glasnost, the authorities can hardly be expected to view it with equanimity even today.

Cockburn is surely right to insist that Kremlinology in its classic form is useless as an instrument of analysis of the Soviet Union under Gorbachev. What matters is not "the attitude towards reform of traditional state institutions such as the KGB, Secretariat, Central Committee, and armed forces, but... the political impact of Gorbachev's ability to appear at will on *amnyaya*, the nine o'clock news."

In a final summing-up, he also insists that what Soviet society has been manifesting over these past five years is not a brief spring but an overwhelming propensity for change. This is well observed. There can be no going back, although one may still feel a lingering doubt as to whether Kremlinology can even now finally be consigned to the dustbin of history.

Erik de Mauny

Tales from the Deep South

THE MADWOMAN lies scowled in the slaves' quarter, the master's house is burning, but the small plain young girl destined to become his wife has not yet been born.

Lucy Marsden is the child-bride of an ageing veteran who fought in the American Civil War when he was 13. The Yankee shot his best friend, destroyed his mother, reduced his mansion to rubble. Lucy finds out too late that she must pay for the sins of her fathers. In particular, the nightmares of a shell-shocked confederate patriarch. Her husband brutalises her in and out of bed, disappears when she's giving birth to their ninth child, and, in a neat twist of plot, accidentally blinds the woman named after his best buddy. But Lucy endures. She's 59 when we meet her; half-blind and confined to a wheelchair in a state nursing-home, she recollects her childhood, her marriage, her husband's war tales, the slave tales she gathers from Cassie, the other mad-

OLDEST LIVING CONFEDERATE WIDOW TELLS ALL
by Allan Gurganus
Faber & Faber £12.99, 718 pages

woman of the tale, the master's first love.

Typical of so many American novels from *Huckleberry Finn* to *Little Women*, the most passionate, unselfish relationships are between members of the same sex: the two boys marching off to war holding hands; Lucy swearing blood oaths with her best friend Shirley, crawling into Cassie's lap after her husband nearly kills their son, the ex-slave's enormous body effacing her pale stature than her husband's tree root deformity." But even these relationships, less tainted with conquest than heterosexual love, show the blight of a society divided by colour and class.

This large, ungainly book never deepens into a novel; it

remains a collection of short stories linked by the gutsy, wise narration of Lucy Marsden. The writing dazzles us with its rich metaphorical language, its folksy dialects, its clever, if somewhat long-winded, story-telling.

But it is Lucy's life which moves us: her lonely tomboy adolescence in a parochial Southern town, her wedding night spent gasping for breath under a heavyweight vet fighting the war in his dreams, her life listening to the companionable sound of water boiling in the kitchen.

The stories of war — the vain lieutenant taking revenge on the one virgin who won't have him by dumping maple syrup over her naked chest, the Marx Brothers-style escape from a Yankee prison, the long march home of starving soldiers too proud to beg — though more shocking and original, remain tall tales. We're aware of Gurganus making them up as he goes along, piecing together a patchwork

quilt of history and fable.

Yet Lucy's story can only be understood through this parallel chronicle of a nation feeding on human flesh: the slaves of the South, child labour in the North, and the young soldiers sacrificed in wars of commerce and empire in Appomattox and Vietnam. "They take near about everything good, these goddam whites," Cassie says, when her senile ex-master spreads his faces on her homemade milk coat. We can't unmake history even if our own scars appear to heal.

In the end Lucy takes her first airplane trip and sees a forest of bright green in the stripes below, stretching all the way from Virginia to Georgia, the path of Sherman's fires. It seems the trees thrived on charcoal and grew back stronger than those left untouched.

"I want to speak a fact that Green just taught me," she declares. "There is no such thing as a free lunch."

Wendy Brandmark

Chess

THOSE REMARKABLE Polgar sisters from Budapest — Zsuzsa, 19, Judit, 15, and the brilliant Judit, 13 — again displayed their immense promise at the Barbican Centre, London, last week. Their match against three of Britain's best young masters — David Norwood, 30, Stuart Conquest, 22, and the UK's youngest-ever champion, Michael Adams, 17 — was full of inventive play and ended in a 9-9 draw after the sisters recovered from a three-point deficit.

Both Norwood and Adams are grandmasters, and the FIDE rating of the English team averaged well over 2,500. The sponsor, porcelain importer International Bullions, awarded the Polgars the match trophy as the moral victors.

As a spectator event, the match was another successful demonstration of rapid chess, with 30 minutes per player for the entire game. Several encounters culminated in frenetic time scrambles, notably the second game between the two potential world champions, Adams and Judit Polgar. In the end, he was beaten by her instant, table tennis-style reactions — but he had the best overall score of 4½/6, followed by Zsuzsa, 4, Judit 3, Conquest 2½, Norwood and Zsuzsa 2.

At present, the Polgars are the top attraction for chess organisers and sponsors and they are in demand all over the world — at least as much as Kasparov and Karpov. They flew to London direct from a league match in Holland, where they are contracted for Hilversum. Their opponent, Rotterdam, was led by Viktor Korchmal, who could only draw with Judit. Both Zsuzsa and Judit are playing for the Hungarian men's team at the European championship in Israel, while Zsuzsa takes on Kasparov in the first round of the Infokil European knock-out speed championship which Thames TV will screen early next year.

There are still sceptics, Kasparov included, who say that the Polgars will not maintain their rate of progress once they come up against the strongest

grandmasters. As yet, though, there is no sign of this happening to Judit. The quality of her games and results at age 13 compare well with Fischer or Kasparov at 15, while her tactical style and board vision carry echoes of another world champion, Mikhail Tal, at 20.

Although Zsuzsa is rated "only" the No. 2 woman in the world (after being No. 1 at age 16), she made a very good impression at the Barbican. This week's game, completed in under an hour, is a classical exhibition of strategic control against a tricky queen's sortie.

White: Zsuzsa Polgar.
Black: D. Norwood.
Modern Benoni (England v Hungary 1987).
1 d4 g6 2 c4 Bg7 3 Nc3 c5 4 d5 e5 5 e4 Nf5 6 Bc2 O-O 7 b3. If to judge 7 Nf3 the quality of her games and results at age 13 compare well with Fischer or Kasparov at 15, while her tactical style and board vision carry echoes of another world champion, Mikhail Tal, at 20.

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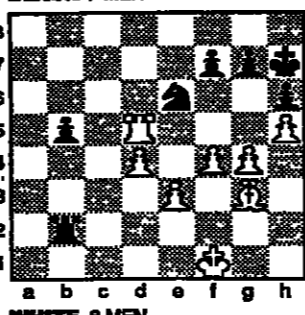
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White planned either a central break by e5 or attack on the weak pawn by Nd2, so Black gives up his Q for several pawns.

15 a5 Qxb3 16 Ra2 Qe2 17 Bb2 Qb3 18 Bxb3 cxb3 19 Bx3 Nf5 20 Rxb3.
Giving back some material, but Black's remaining force becomes scattered and vulnerable.

20 ... Nxb3 21 Qxb3 Bf5 22 Bf4 Bc3 23 Ra3 Bxa5 24 g4 Bd7 25 Qxb7 Nc5 26 Qb2 Bxe8 27 Bx3 Ne4 28 Bb6 Bc3 29 Qb7 Rb8 30 Qxa6 f5 31 Ng5 Bb5 32 Qa7.

Black stopped the queen's diagonal threat to mate at e7, but there is no other way to reach f7, g7 and e8.



BLACK 7 MEN

32 ... Nc5 33 Ne4 Nxe6 34 dxe6 Be3 35 Qc7 Bc2g3.
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Solution Page XXI

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ARTS

No hang-ups about contemporary prints

This market has shot ahead in value over the past year, says Antony Thorncroft

TEN YEARS ago the London dealer Bernard Jacobson took possession of a print dedicated to him by the artist Howard Hodgkin. It came in an edition of a hundred. Jacobson sold some for £500 each, and offered others to fellow dealers at a discount. Today he has one left, priced at \$35,000, but he is reluctant to sell.

His caution is understandable. Last Saturday an example sold at Sotheby's in New York for \$39,900, around double its retail price of a year ago. Sotheby's is offering another next Friday in its London auction of contemporary prints with a top estimate of £12,000. Despite the fact that the colours in the catalogue illustration are all at sea it looks a modest forecast.

But then the auction houses are finding it hard to keep up with the escalation in value of certain contemporary prints, a market which at the top level has probably out-performed all others in the past year. No wonder dealers crowd the salerooms, telephones at the ready, to call back to their galleries with instructions to raise all prices when a print goes under the hammer for a higher wholesale price than they are offering in their retail outlets.

For example, last Saturday Sotheby's in New York secured a price of \$275,000 for Jasper



Gregory Evans by David Hockney; estimate £2,500

John's silkscreen *Flags I*, produced in 1973 in an edition of sixty-five. A year ago the same image realised \$154,000. In the meantime, in a phenomenally successful sale that Sotheby's held last month in Tokyo, one went for almost \$400,000.

For example, David Hockney's 1968 lithograph "Pretty Tulips" is a very familiar image. It was printed in an edition of two hundred, and two years ago was selling for £3,000, around ten times its

original price. Last June Sotheby's sold one in London for £14,300, and is offering another on Friday, estimated at £10,000. Christie's version at its London sale on Tuesday has a £15,000 top estimate.

For example, "Crying girl," a powerful cartoon strip image by the pop artist Roy Lichtenstein, was printed in reckless numbers (probably around a thousand) in 1963 and given away by the Castell Gallery in New York to serious buyers of its other stock. Last May an example sold for \$28,600 at auction; within the past week it has been knocked down for \$35,200 at Sotheby's and \$38,500 at Christie's, which makes Christie's London top estimate of \$3,000 on a copy it is offering on Tuesday seem a bargain, despite a slight tear.

It would be foolish to think that all contemporary prints have shot ahead in value. It is only those produced by a small group of artists (mainly American) who have international appeal. The key to the appreciation is the strength of Japanese buying which competes with persistent American demand. The Japanese have no hang ups about the uniqueness of works of art. In fact they welcome the fact that prints come by the identical hundred or so.

If a rival down the street has

Andy Warhol's famous silk-screens of Marilyn Monroe (a set of ten made \$495,000 at Sotheby's last Saturday while Christie's secured \$506,000, spot on target, for yet another set on Tuesday) it is a positive encouragement to other Japanese nouveaux riches to get a copy. And anyway the production of similar prints means that there is a great secondary market: if you collect rare Old Master prints you might have to wait years for a particular example to surface.

American buying is partly inspired by the desire to own a fairly affordable work by the hand of a great contemporary American artist, like Jasper Johns, whose paintings can now exceed \$10m. And unlike Old Master, 19th century or even "modern" prints, the contemporary article has the freshness and immediacy of created art, with few problems of forgery.

In David Hockney the UK has an artist-come-print maker with an international reputation. Anyone bright enough to have bought a Hockney print for £100 or less 20 odd years ago will have done very nicely, although it is later, brightly coloured prints, such as the 1965 lithograph "View of Hotel Well II," (which sold for \$45,100 in May and \$57,700 last month in New York), which have shown the most rapid appreciation. Even so a black and white etching of 1971 "Rue de Seine," which Christie's was estimating at up to \$6,000 a year ago, now carries a £18,000 top estimate on Tuesday. Between them Sotheby's and Christie's are offering almost a hundred



Lichtenstein's "Shipboard Girl" expected to make £10,000

prints by Hockney, but only a handful carry an estimate of less than £1,000.

Howard Hodgkin is starting to appeal to an international market, and his prices are much lower. Another leading British artist, Lucian Freud, one of whose oils has just sold for over \$2m, is now attracting the attention of print collectors. A nearly etching of the 1940s sold in London last June for £19,250, and he has recently returned to the art form with an edition of prints priced below £10,000. They should prove good investments.

The most expensive contemporary British artist, Francis Bacon, who has topped the \$5m mark at auction, has a difficult reputation in this field. There are a few prints in his name but most examples are reckoned to be signed reproductions of his paintings, enhanced only by his signature. Other painters whose auction prices for paintings now push \$50,000, like Allen Jones and R. B. Kitaj, are still strangely overlooked. Sotheby's offered three prints by Kitaj in the summer, sold one for under £200, and bought in the other two.

The hefty catalogues produced by Sotheby's and Christie's for their print sales have an uncanny resemblance to mail order catalogues. The big names, notably Johns, Warhol and Hockney, are on offer by the hundred. Often an image rises steadily in price; firms at a certain level for a few months and becomes very predictable, and then greedy sell for \$100 or less 20 odd years ago will have done very nicely, although it is later, brightly coloured prints, such as the 1965 lithograph "View of Hotel Well II," (which sold for \$45,100 in May and \$57,700 last month in New York), which have shown the most rapid appreciation. Even so a black and white etching of 1971 "Rue de Seine," which Christie's was estimating at up to \$6,000 a year ago, now carries a £18,000 top estimate on Tuesday. Between them Sotheby's and Christie's are offering almost a hundred

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Money and the arts

Despite the recent government handout, the big four are not yet out of the red says Antony Thorncroft

IT HAS entered arts world folklore. The Prime Minister rarely watches television but she happened to pass a set that was transmitting Sir Peter Hall's famous "coffee table" speech at the National Theatre where he demanded extra money for the arts. His impassioned cry was regarded as whingeing, and the arts received a misery rise in grant that year.

The Arts Council has absorbed the lesson and now makes its case for money discreetly. The Minister for the Arts, Mr Richard Luce, a former diplomat, is also a practiced believer in the soft approach. Last week low key pressure seemed to have paid off. The arts received a 24 per cent rise in funding over three years and the Arts Council was rewarded £15m more than its original 1990-91 target, a total of £174.9m.

The Council quickly decided that its four "flagship" national companies - Royal Opera House, Covent Garden; English National Opera; Royal Shakespeare Company; and Royal National Theatre - should each get 11 per cent more, as against the 2 per cent originally allocated; but the extra money was delivered with the caveat that they should now get on with organising their affairs efficiently - and no more whingeing.

Which puts at least three of the four in a difficult position. Of course they are delighted

with such an unexpected bonus, but it will not erase the sizeable deficits budgeted this year by Covent Garden, the ENO and the RSC. Only the National Theatre, which has improved its financial position by playing host this year to subsidised foreign drama companies and boosting sponsorship, should get by fairly comfortably on its extra £900,000, to a total of almost £3m.

At Covent Garden the future still looks very bleak. It is on course for a £3m deficit this year and by January will have an overdraft at the bank. The additional £1.5m (to a total grant of £13.8m) will ease things slightly but general director Jeremy Isaacs now faces the task of putting together a package involving a substantial increase in seat prices, plus cost cutting in such non-money making areas as educational work.

About £2m of the 1989-90 shortfall comes from the failure to hit the corporate sponsorship target. Companies face too many financial problems to fund £100,000 plus new productions at Covent Garden. This drying up in business aid could also depress one obvious money raising move - a substantial increase in the price of corporate seats. But Jeremy Isaacs is very loathe to cancel new productions. He still wants to make Covent Garden fresh and exciting.

The situation at the ENO is slightly unreal. Its deficit of

£300,000 is manageable, especially with the additional £776,000 in 1990-91, to a grant of £7.8m. But from April it stands to lose the £1.25m it receives from Westminster City Council. The arrival of the Poll Tax apparently makes such aid impossible. The ENO hopes that somehow Westminster, the Government and the Arts Council will assemble between them a substitute package. It might not match the aid subsidy but it should keep the ENO in business.

The RSC anticipates a "cash deficiency" for 1989-90 of £2.5m. Once again next year, thanks to a £600,000 increase to just over £5m, might be more comfortable, but the burden of debt is a constant drain on the RSC. Its options are limited: it can't cut new productions - that just leads to smaller audiences. It can't cut the cost of its productions: it has saved money here steadily over the past five years and audiences are starting to notice. It can't really save on the size of the company - Shakespeare wrote plays with rather large casts. Like the rest of the Big Four the RSC is hoping that sponsorship will help solve a financial problem which it describes as controllable rather than mortal.

Last word from Luke Rittenner, secretary general of the Arts Council. "The companies can't expect any more. It would be a mistake for anyone to say they have not got enough."

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ARTS

Focus on the Turner Prize

The purse may have doubled, but all is not well says William Packer

WHAT IS to be done with the Turner Prize? This year's award, the sixth in the series and sponsored again by Drexel Burnham Lambert to the tune of £10,000, was announced last Tuesday at the dinner given at the Tate to the great and good of the British Art world. In the event, the whole thing came dangerously close to anti-climax.



1989 winner Richard Long

Few, I suspect, would wish to see the Turner Prize discontinued, for a valuable sponsorship and the opportunity it affords are not lightly to be thrown up. The Turner still commands considerable goodwill and the sponsors have confirmed their commitment for the next two years with double the purse, so any worries are not immediate. But few would claim that all was yet well and the Turner Prize all it might be.

I have supported the Turner Prize from the start, seeing little harm in some low fun to be had in the betting shop in the good cause of celebrating the best of contemporary art in Britain. But there's the rub: too often it has seemed that the prize from the start, seeing little harm in some low fun to be had in the betting shop in the good cause of celebrating the best of contemporary art in Britain. But there's the rub: too often it has seemed that the prize from the start, seeing little harm in some low fun to be had in the betting shop in the good cause of celebrating the best of contemporary art in Britain.

So far so good; but the central problem is still that the Turner Prize remains unfocused. This is the nettle that has to be grasped: the Turner must address itself to particular works of art and its jury have



"Halifax Circle", an example Long's work which is currently on view at the Henry Moore Sculpture Trust Studio, Halifax

this year - for the importance of her example as a painter, for the continuing innovation and uncompromising beauty of (his) ambitious paintings; for the enduring influence and importance of his sculpture; for the moving affirmation of abstract painting - just will not do. That the Turner fails to catch the public imagination in the manner of the Booker Prize, with which it might compare, can only be because the Booker is centred not upon the author so much as his particular piece of work, which the public itself can consider on its merits.

The irony is that this year's field, albeit unofficial, was the strongest and best-matched there has been. Its only aberration was the inclusion of Lucian Freud, which made the possibility of any other winner nonsensical, and the only true outsider was the installation maker, Richard Wilson. For the rest, the painters Gillian Ayres, Paula Rego and Sean Scully, and the sculptors Richard Long and Gussense Feneone, were all in with a fair and equal chance, so much so that any one of them would have been generally acceptable and uncontroversial winners.

Freud, of course, did not win. The prize went to Richard Long, the long-distance walker and circle-maker, an acceptable and even predictable choice. And if the evening

playing; and if Bolet is less darkly ruminative in the "Wanderer" Adagio itself than some middle-European pianists, he and Solti deliver the scherzo and Finale with tinging authority. His Franck record is a treasure. The Variations (with Chailly's sympathetic) and the evergreen Prelude, Choral & Fugue are peerless models of grace, dignity and style: marvellous keyboard voicing and chord-balance, exact appreciation of Franck's harmonic nodes. I may even yet be converted to the other, more stately academic Prelude etc., given Bolet's majestic exposition. If anything is wanting - not very gravely - it's just the odd playful and/or buoyantly vulgar touch, a disarming Franck aria (of the 3rd, Chopin-like "variation symphonique" and the jaunty Finale tune) which the gentlemanly Bolet prefers not to exploit.

Radio Listening in on Europe

JACQUES DARRAS'S first Reith Lecture, on Radio 4 on Wednesday, was called *Beyond the Tunnel of History*, and its theme was the different paths to democracy taken by different nations. He began with a look at the Grande Place in Brussels, where great buildings represent, side by side, princely power and municipal power. He turned to the slight obliquity of the Piazza San Marco in Venice, that stands for the touch of instability that makes stability perfect.

experiment in international psychology. Next, he is to repeat the experiment with Mickey Mouse.

The dialogue was in Italian, English, French and German, a touch of Spanish, possibly other tongues I didn't catch. Some lines were repeated in several languages, some just spoken in one. King Kong, being a naturalised American ape, mostly spoke English. It was more amusing than *Options*, where the language lessons are practical, and an enjoyable exercise for us with our useful modicum of European tongues.

But the facades that we see are often not authentically historic but copies, perhaps altered as necessary. In Paris, the Champ de Mars today does not reproduce the muddy square where King, Churce and people gathered for the Fête de la Fédération. The French path to democracy ran through replacement, the British through tradition. I can give only a brief summary of Professor Darras's enchanting talk: the series is printed in *The Listener*, and will be well worth reading. Next week we begin with the Marquis de Sade.

Both of Radio 4's big plays this week dealt with people writing scandalous records. Saturday's *The Field Marshal's Memoirs*, adapted by James Crabtree from a novel by John Masters, concerned a senior Army officer (Jeremy Kemp) and his misdeeds in a Yugoslavian campaign that I didn't recognise. It had some paperback excitement, but nothing better.

Monday's monologue by Peter Shaffer, *Whom Do I Have the Honour of Addressing?*, fifth and last of the Globe Theatre series, also contained paperback emotions, but from a better paperback. On what may, or may not, be a pre-suicide tape, fiftyish Angela, a worker in an agency typing film-scripts, tells her Hollywood romance with mid-twentieth film-star Tom France. Tom remote Spanish village, taking its government to the European parliament to save itself from a new bombing-range, and about the Slow Food Movement in Italy, campaigning (under Dario Fo) against fast food. Specially encouraging, the sound of a demo in Romania.

There is warning early in the tape of an early bust-up; we need only worry what it will be. Angela learns that Tom practises sexual eccentricities with his friend Bud, and makes a scene at the studio. She also discovers Bud "shooting up" in her apartment. Tom, his face gashed in the studio fracas, sends her home and she decides to end it. Or not. Colourful it is, but predictable. The pleasure lay in Judi Dench's performance. Glyn Dearman directed with restraint.

B.A. Young

THOUGH IN 1781 Archbishop Colledge of Salzburg had literally kicked Mozart out of his service, two years later he got the brilliant pair of Duos from him, probably without knowing it. That summer, Mozart revisited his home town (worrying even that he might be arrested) and found Michael Haydn - an under-organised chap, unlike his elder brother - embarrassed by an unfinished archiepiscopal commission for six "duets." Mozart wrote the missing two for him, leaving the manuscripts unsigned.

Despite the slender domestic medium, which accounts for their absence from concert programmes, they are not "occasional" pieces at all. They match the best of Mozart's solo and duet sonatas, as well they might: they followed his great "Haydn" quartets, amid his Vienna cycle of piano concerti, and display comparable invention - and canonical mastery - within their instrumental confines. Perhaps only a violinist like Mozart could be so even-handedly generous with both the parts; in the bright, appealing Michael Haydn duo which very properly completes this record, it is sad to find the viola consigned to workaday support.

In either case Tabeta Zimmermann makes a sterling partner for the Salzburg violinist Thomas Zehetmair, whose usual quirky imagination is especially apt here. Together, they respect the intimate scale but light it up with feeling, where other performers tend to be sternly devout. Felicity Lott does something similar in her delectable programme with Jane Glover and the LMP, half of it recapitulated from a September Prom.

On record her soprano is still more obviously a Romantic instrument, quite different from the bird-like voices often heard in Mozart "concert" arias (here including not only the "Esultate" motet and two numbers from his early operas, but arias written for inserting into other people's operas). She doesn't aim at winsome impersonation though she has fun with the buffo "Voi avete un cor fedele." Instead, she sculpts her phrases with shining rectitude but also invests them with cunningly sensuous curves, as if viewing the period manner of the music through a modern sensibility. The resultant glow is irresistible. There are people still who claim that the Flott timbre lacks an individual stamp - but they used to say that about Suzanne Danco and even Crepin, too.

The cycle of Mozart's piano concerti by Mitsuko Uchida and Jeffrey Tate with the ECO proceeds with undimmed vitality, and all the rewards that attach to giving the orchestral notices head-on: Uchida is a dashing *prima inter pares*. In the next-to-latest release K.491 and K.503 drop part of their conventionally attested character, the one less harked and the other more of a sophisticated, even-handed dialogue than a grand oration with trumpets and drums.

There, we're used to a dominating masculine protagonist; Uchida is artfully feminine and confident, even granted her own bold cadenzas, which makes for a provocatively different balance. In their most recent instalment, the B-flat Concerto K.456 is an incontrovertible joy, at once poised, dazlingly argued and springing with fresh ideas. So too with their K.458 in F, bar the

Records Much Mozart, and more

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poise: its gleefully headlong address may strike some listeners as bracing others as slightly over-the-top, though plenty of sharp insights emerge. The pianist Jorge Bolet has long since grown into a kind of selfless mastery, and his latest CD releases make a distinguished list. (Not, thanks to a memorial - he is reported to be recovering well from his recent serious illness.) Most of his vintage programme of favourite Liszt is reassured, as it eminently deserved to be, by the transcription of Schubert's "Wanderer" Fantasy with orchestra is new. Colossal energy, sympathetically abetted by Solti, and ultra-lucid

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FOOD AND WINE

Light, healthy, exciting: a cuisine for the '90s

Japanese cooking is the coming thing, says Nicholas Lander



IF SOMEONE were to ask me for a racing certainty in the 1990s, I would suggest a Japanese restaurant in Derby. News that Toyota has chosen this area of northern England for a new factory will not only ensure a loyal audience but will also bring a phalanx of Japanese suppliers in its wake...

Anyone who has seen the film Tom-popo, a brave woman's determination to create the perfect noodle bar, will appreciate this; and now, as the Japanese spread their influence across the world, they are going to affect what and how you eat and drink.

In many ways, the Japanese are the ideal investors in the food and wine world because they are always prepared to take the long-term view - definitely, a prerequisite for both these businesses.

Talks are also under way to take two other three-star restaurant proprietors from Paris - Joel Robuchon from Jamin and Jean-Claude Vrinat from Taillevent - into partnership in a French restaurant in Tokyo that will open in 1994.

On a more down-to-earth level is the story of the blue-fin tuna. This is the best tuna available and essential in either sushi or sashimi, two of the better-known Japanese raw fish dishes. As demand in Japan began to exceed supply, trading companies started to scout Europe for supplies.

The first stop was Rungis, the huge fish market of Paris where tuna used to arrive from the French Mediterranean fishing ports. Soon, the Japanese had located the sources of the fish and were buying direct from the coast; so much so that there was hardly any tuna at all coming on to the Rungis market this summer.

Not content with France, these trading companies have moved on and have now made contact with fishers of tuna from Spain to Turkey. There is not a single fleet in this area that does not know the price it can get for its catch, put under ice and air-freighted to Tokyo.

As many of these tuna shoals are now detected by solar beams, they stand little chance once found; it is to be hoped that the Japanese do not fish the tuna to the limit they have done with whales.

They may not be model provisioners but the Japanese can teach us a lot about cooking, and it is possible to appreciate this without actually liking their food. The essentials are the freshest ingredients often eaten raw and, when cooked, cooked as quickly as possible (frequently, on the highest possible heat) and then presented as beautifully as possible. Japanese cooking has long connected the eyes to the stomach, and this emphasis on

It is to be hoped the Japanese do not fish tuna to the limit as they have done with whales

presentation will be a lasting bequest to Western cooking.

The most dramatic consequences of this Japanese influence can now be seen in many of the better restaurants in California which, with the benefit of a common ocean, has adopted Japanese ingredients and cooking techniques wholeheartedly. In fact, one of the chefs most responsible for the upturn in California cooking was a Japanese named Massa, initially at L'Auberge du Soleil in the Napa Valley and then at his own restaurant, Massa's, in San Francisco before he was murdered.

Not surprisingly, therefore, the Japanese influence on English chefs is most marked among those who have travelled to California, if not to Japan itself. In London, Alastair Little (tel: 734-5183) serves a full-blown sushi dish as a first course; Rowley Leigh at Kensington Place (727-3184) provides a dish of marinated tuna and scallops with ginger and soy; Martin Lam offers raw sea bass marinated with olive oil and basil at L'Escargot (437-2879); and Sally Clarke at Clarke's (221-8225) frequently has a side dish of tempura vegetables with her grilled fish.

Nowadays, chefs (and customers) need not travel quite so far for there are a number of good Japanese restaurants in England and this number is likely to grow. There are an estimated 15,000 Japanese in London and another 15,000 elsewhere in Britain - a very useful core to nourish, particularly as the number of Japanese tourists increases.

In the West End, my meal at Myama, 38 Clergus Street (499-2443) was very good, spoilt only by the blank total on my credit card slip. There are eight set lunches and two teppan-yaki bars where food is prepared before your eyes, but the most impressive ingredients were the help service and the two bowls of soup served during my meal which were almost health-restoring.

At Suntrio, 72 St James's Street (409-0201), the cooking was good but uninspired. In fact, the restaurant, which did so much for Japanese cooking simply by taking over the former Premier's site in 1976 and making Japanese cooking available to London, now seems to be suffering from a distinct lack of authenticity.

This could not be said of either Gin-nan, 5 Cathedral Place EC4 (236-4120) or Jin Kichi, 73 Heath Street, NW3 (794-6158). I arrived at Gin-nan at one minute to midday and there was already a queue of 30 be-suited Japanese businessmen outside its doors. The restaurant serves as a cafeteria for the Japanese in the City but offers no compromise on quality. The set lunches are served with rice, pickles, a small starter and tea and delivered on airline-type trays, but the fish in my sushi was as fresh and prepared as exactly as in any more up-market establishment - as well as costing a mere £8.50.

The same modest level of reasonable pricing applies at Jin Kichi, where the small ground floor holds the cooking grills, a bar that seats 12 and eight small tables, with several more downstairs. Dinner for two was £36 including sake, beers and two very good dishes: skewers of grilled, crispy chicken skin and six deep fried oysters (served surprisingly, but to good effect, with a sweet dip and mustard). Not included in the bill was the warmth of the service; I counted eight "thank you"s from the staff as we crossed the 10 yards from our table to the front door.

Japanese restaurants are no longer as formidably expensive as they were - nowhere in London can compare with ex-Prime Minister Umi's favourite restaurant in Tokyo, which had a minimum charge of £500 a head. It is also a cuisine for the 1990s: light, healthy, exciting - and one that whets the appetite without swamping it.



The Japanese way. Above: sakiyaki served in traditional style. Below: An eating dish to delight the eye as well as the stomach



Chewing and brewing...

Giles MacDonogh reflects on the origins and traditions of sake



A LATE-NIGHT prowling through the streets of any major city in Japan reveals a face of the Japanese very different from the one portrayed by Western analysis of the economic miracle. Blue-suited office workers stand arm-in-arm on footpaths singing of cherry blossoms and lost love. A lone construction worker follows a meandering trail through city traffic.

In a recessed entryway, back to the crowd, is a section chief from an electronics firm, engaged in a common form of civil pollution while chattering about the foibles of his co-workers in the trains, home-bound at last, packed hordes of the feverishly unsteady inmate as if in a single chorus: "This time for sure, I am giving up sake!"

This refreshingly Baecic portrait of the Japanese at play comes from Hiroshi Kondo's Sake: a Drinker's Guide, which is useful for anyone wanting to understand Japan's traditional alcoholic drink, which has now been whittled down to a mere 21.6 per cent of the market share through competition from beer, whisky and wine.

The Japanese learnt the secret of rice brewing from the Chinese some time before the 7th century AD. Before they mastered the ambient yeasts that produced the rice that share through competition from beer, whisky and wine, they used a crude, slightly alcoholic mash. One of the earliest versions required virgins to chew the rice and spit it into a vat, their saliva acting as a starter for converting rice starch into sugars.

This was called "beautiful woman's sake". In the Heian period (AD 794-1185), sake played an important part in the aesthetic self-cultivation of the time called "furyu," or taste. At banquets held for cherry-blossom viewing, sake would be served made from water scented with chrysanthemum petals. So popular was sake by the 14th century that there were 340 brewers working in Kyoto alone. Sake was perfected by the 16th century but, in our own time, the process has been corrupted by brewers adding sugar and alcohol.

Sake should be made of nothing but rice and water. That sounds simple enough, but there is subtlety to it. The water should contain certain trace elements, with the best deemed to come from near the port of Nada. The rice is of the sticky Japonica sort, but polished sometimes to as much as 60 per cent of the grain as opposed to 10 per cent for eating rice.

Brewing sake is quite different from any method known in the West. Strictly speaking, it is called "multiple parallel fermentation" - which, if I understand it correctly, means that the starch in the rice is broken down into sugars and the yeast converts the sugars

into alcohol and carbonic gas not in two processes - as with whisky - but simultaneously. The result is a rice wine containing some 20 per cent alcohol. This is reduced generally to 15 per cent by adding water. The process becomes far more complex when you start to examine the koji mould which is used as a starter and which gives sake its distinctive taste, or the moto yeast which is ground for 18 days to the accompaniment of its brewers sipping the "moto-grinding song" for hours in unison.

Anxious to find out as much as I could about sake in the UK, I contacted Mr Kawamoto, of the J. A. Centre in London, who agreed to put me through a tasting of sake and some fine plum wines. We tried three types imported by his firm, starting with a low-strength Sempuku (thousand happinesses).

The strength of 12.5 degrees makes it popular in Britain because of the wine duty ceiling of 15 per cent. The sake is clean and smells a little of fresh bread but it lacks a "tail" as the Japanese would say. The quality sakes were the Ozeki and Kiku-Masamune; I preferred the latter, which smelted of fresh bananas, to the radish-scented Ozeki.

With more than 2,700 brewers in Japan, I could not have hoped to learn much from one afternoon's tasting. In Japan, sake-tasting is a ritual every bit as sacred as wine-tasting in the West. Special cups with "snakes' eyes" at the bottom help you to admire clarity and a slight yellow tint from ageing in Japanese cedar casks. The best will be those marked Jima-mai-shu, meaning pure rice (no sugar or alcohol added), or Jisho-saijuri, which is made from a special strain of moto and has an aroma of Delicious apples. The sakes vary enormously in sweetness, from syrupy to bone-dry.

One of the most charming aspects of sake-tasting must be the Japanese terms. The wine-tasting vocabulary was introduced to Japan after the Meiji Restoration which, in 1888, opened the country to Western influences. None the less, the Japanese have been able to add some phrases of their own.

"A sake with body" is said to "have strong hips" like a Sumo wrestler. The words shiripin and pin refer to the "poise of the tail", or what Westerners might call the length on the palate, while another expression to denote sake of insufficient complexity translates as "lonely and sad... the mental state of a woman waiting for a lover who doesn't turn up."

Sake can be drunk hot (but not more than 100° F) or cold. It is best tasted at room temperature. Both the rice-wine and the drinking kits can be obtained from the J. A. Centre, 350-356 Regent's Park Road, London NW8 (tel. 346-1042). A standard 1.8-litre bottle sufficient for three drinkers will cost between £15 and £20.

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Truly there can be few occupations to compare with that of the Hine cognac blender. Where does one apply, one might enquire? Alas, it is an occupation only Bernard and Jacques Hine can have, for only they possess the Hine "nose". A "nose" handed down through six generations and so perfectly attuned to the art of blending fine cognac.

But herein lies one regrettable drawback. For no matter how adept at their task, no matter how diligently they apply themselves, two men can only blend so much cognac. And for this reason Hine will always be rare.

Unless, of course, Bernard and Jacques should chance upon a suitably qualified third blender to assist them.

And such an event seems unlikely, for where does one find a man with 214 years experience these days? After all - just how much fine COGNAC can ONE family make!



Pickled plums for breakfast

Peter Lewis contemplates eating some strange food from the East



JAPAN has never been part of anyone's empire. The Americans occupied it for a while after the Second World War, which might be one of the factors accounting for the large number of Japanese restaurants in big American cities. Even in the US, though, Japanese restaurants depend on more than a sprinkling of Japanese customers.

Japanese cuisine, like Japanese society and culture in general, is much more insular than that of other nations. If you are Japanese, you could well have been brought up to like sour pickled plums for breakfast. Nobody else's idea of breakfast even approaches this.

So, if you get such a Japanese dish in London or Milan or Los Angeles, no local substitutes will do. Genuine imported Japanese pickled plums are the only answer.

Weekend FT food writer Nicholas Lander, who knows his way around the food wholesalers, put me in touch with the largest importer of Japanese foods in Britain and I have drawn deeply on its knowledge and wisdom.

Serving most of London's Japanese restaurants, Furusato Foods offers a mixed bill of prepared Japanese foods imported from Tokyo and fresh wet fish from the capital's Billingsgate market, as well as some fish markets elsewhere in Europe. Furusato, which has a shop in Camden High Street, north London, buys its vegetables from Japan. Its range of everyday Japanese groceries is very wide and, even to a Japanese food-lover like me, foreign and strange.

It makes no concessions to the casual Western shopper. In its concrete cavern, the fish in the chilled cabinet looks as if a sushi chef has been at it already. And although the price labels on packaged goods include product descriptions in English, these give very little away (produced as they are on one of those printers that chemists use and you need a lens to read).

But these are not everyday Western convenience foods. Sheets of dried seaweed - nori (dried laver) and kombu (dried kelp) - are used as wrappings

for sushi, rather as our grandfathers used rice-paper. These dried sheets of seaweed can lend their own fragrance to stock and broth and they are very rich in vitamins. Japanese pickles are very different from those we eat in the West. They are designed to be eaten with plain boiled rice, not with slices of cold meat. Melons, plums, radishes and ginger are pickled one at a time, with the taste of the fruit coming through the vinegar.

Pickles are one thing, though. Another, with which I have just made an acquaintance, is namu - fermented bean curd. It is at least as disgusting as trifles are on first meeting; slimy, smelly and foul-tasting. Apparently, children in some parts of Japan like it; others find it detestable.

For me (and for most readers, I assume), soy sauce is soy sauce and that's that. A great deal of it comes from China and my bottle of Sharwood's says it is a product of Singapore. But, for a Japanese, only the genuine home-grown article will do. And although - as with everything else - the Japanese product is more expensive than the Chinese, the Japanese accept no substitutes. This strange exclusiveness helps to make their food so unapproachable.

The Japanese diet, with very slight cooking and lots of fish and greens - meat is a late and foreign arrival - is, of course, a good answer to heart disease, although not all Japanese habits lead in the same direction. The habit of drinking whisky with workmates is the kind of thing which my doctor would draw the line.

I asked Mr Sakai, of Furusato Foods, to recommend a Japanese restaurant to which I hadn't been and the one with which he came up - the Shogun - is just across the road from the American Embassy in London's Grosvenor Square. It was not cheap, but I don't think anyone would expect that in Grosvenor Square. Course after course of delicious food and no namu in sight. I had hoped, secretly, that Furusato would get me an introduction to the Honda executive canteen in Reading, Berkshire. But I had to be content with the Shogun, which was very good although I didn't learn anything new.

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DIVERSIONS

SOTHEBY'S might trounce Christie's in two dimensions but its wine department has always been the lesser. So, it decided that one way to go-up its wine profile was to give the most glorious dinner party - although this was nothing whatever to do with his 50th birthday tomorrow, chairman Lord Govrie assured his 85 guests in the romantically transformed Main Gallery on Monday night.

In fact, it had taken two years to find a date for the event. This was because it was actually an historic first public gathering of the proprietors and directors of all five Bordeaux first growths: the Duchesse de Mouchy of Château Haut-Brion, Baron Eric de Rothschild of Château Lafite-Rothschild, Baronne Philippine de Rothschild of Château Mouton-Rothschild, the Hon. Alan Hare of Château Latour, and Messdames Corinne and Laura Mentzelopoulos of Château Margaux.

The reason for the time lag was because their diaries are so full. But it took nearly as long to decide which vintage of each wine would be served (although no-one complained about the eventual choice-card of such pure thoroughbreds as the charming Haut-Brion 1961, haunting Margaux 1963, youthful Latour 1962, perfectly-balanced Mouton 1949 and legendary Lafite



At Sotheby's *grande bouffe* (from left) Alan Hare, Baronne Philippine de Rothschild, Corinne Mentzelopoulos, the Duchesse de Mouchy, Laura Mentzelopoulos, and Baron Eric de Rothschild

1945) and to determine the suitably non-competing menu. This must have been one of Le Gavroche's more testing outside commissions, seeing as it did the installation of six Bose-proof electric cookers (gas would have posed too much of a problem for the auctioneers' smoke detectors), but the restaurant managed

impeccable service of five courses and six wines (well, we had to have a Yquem, didn't we?). Such has been the rivalry between the first growths that operations on this scale would have been unthinkable 10 years ago. For several years, however, "Les Cinq" have been meeting regularly (over what one imagines must

be reasonably well-provisioned dining tables) to discuss matters of mutual interest. (Oh, to be a fly on THAT wall). And so an improbable assemblage of connoisseurs such as model Jerry Hall, newspaper editor Max Hastings and your overwhelmed correspondent came to enjoy an extraordinary *grande bouffe*.

overlooked by the equally improbable likes of Burne-Jones and Picasso. Sotheby's has issued a press release ending with what must qualify as one of the understatement of the year: "It is hoped that this will be the first of many such occasions."

J. R.

Framing a market

Now, the Japanese are moving into London's art scene. Nicholas Faith looks at the latest offensive



MITSUI GROUP has launched its offensive on the London art market. The attack, naturally, employs the latest Japanese technology and aims to bypass not so much the London art market as Japan's own dealers.

Cheekily, Mitsui's first assault is spearheaded by the most important exhibition of Victorian paintings ever assembled by a London dealer; yet, the exhibition is being shown in Mitsui's own gallery, an elegantly-refurbished town house in Bruton Street renamed simply Gallery. This is staffed by Japanese and its regular exhibits generally are chosen with eyes on the growing market offered by Japanese living in Britain who are enticed by cultural events as well as direct promotions.

The new show - "Burne-Jones the Pre-Raphaelites and their Century" - is far from a parochial affair, however. It is the work of Peter Nahum, who virtually created the market in major Victorian paintings as head of the picture department at Sotheby's Belgrave during the 1970s. Over the past five years, he has assembled a highly impressive collection of 175 works.

The full exhibition at Gallery ranges from 40 Burne-Jones drawings and works by Millais, Holman Hunt and Ford Madox Brown to *The Temple of Edfu* by David Roberts, a classically frigid - but highly important and increasingly valuable - painting which hung in the Louvre after the original artist's death. It was bequeathed to Louis Philippe, the last Bourbon king of France.

The moving force behind Gallery is an untypical, entrepreneurial Mitsui executive, Yoshi Fukushigi. A man equipped with a camera, a computer and a digital camera developed by Sony - images that would be transmitted direct to Tokyo accompanied by a live commentary about the works on offer.

The existing Tokyo art market suffers from the relatively narrow ranges offered by dealers and the enormous margins they take. "Tokyo is an enclosed art market," Fukushigi says. "The clients don't know what is on offer in London or Paris, they only know what the local dealers have in stock. We can show the full range of pictures available in Europe with the local prices - which, he reckons, are as little as half those asked in Tokyo. The idea fits in with the new Japanese desire to increase imports (so long as the importer and "middle man" remain Japanese).

Fukushigi envisaged linking Gallery directly with galleries



This work by William Morris is one of 150 paintings, drawings, water-colours and bronzes on view at the Gallery exhibition

and dealers' show-rooms in Paris, Rome and Milan, as well as London, through dedicated computers, although I don't know about the art market." He starts with the big major advantage that Mitsui is building up-market houses in Tokyo and is, naturally, anxious to provide buyers with all mod cons (which, in Japan today, include suitable items of Western art). "Japan is an affluent society, but they don't know what to spend it on," Fukushigi says. "There is a new class of wealthy people who made money from the soaring price of land and stocks and shares, so it's natural for them to buy art, regardless of their level of knowledge."

"Buying art - one of the sectors where the West is strong - is not an option; it's a destiny. I want them to buy in a clever way, not through dealers who double the price. And, no, I don't know what category of art will appeal to the new class of buyers. But I do believe that the Japanese are getting increasingly independent."

After a short delay (even Sony had problems with the electronics), Gallery is now equipped with the first of these cameras, although the dedicated link and high-definition optical equipment will be available only in the New Year. Fukushigi - a graduate of Tokyo University with a Harvard MBA and, clearly, a high-flyer - is undeterred by the fact that "not many people in Mitsui agree with my ideas." His track record shows the group to be as flexible, and thus untypical, as he claims. "I worked in the group's corporate planning office in New York. Then I was a commodity dealer, mostly in sugar, and I saw the computer era coming."

Wine's underdogs grow in stature

Jancis Robinson samples some lesser-known grape varieties and likes what she finds

BEFORE PLUNGING into the pre-Christmas season of licensed excess, spare a thought for some of the wine world's underdogs. Who knows - you might actually prefer them. Bulgaria is now the UK's fifth most important wine supplier, and its Cabernet Sauvignon needs no introduction. Less well-known are Bulgaria's own grape varieties, of which Melnik and Mavrud are, to me, by far the most exciting.

The Damianitza Melnik 1983, now stocked at just under £3 by the likes of Victoria Wine, Peter Dominic, Bottoms Up, Majestic, Threshers, Ad Hoc Wine Warehouse of Clapham Road, London SW4, and Wines of Westhorpe (which sells cheaply by mail order on 0283-820-285), is a sweet, oaky red that probably

will develop further over the next year or so. But the real star in the present collection from Bulgaria's state cellars is the fast-disappearing Assenovgrad Mavrud 1981. This costs little more than £3 a bottle from the better branches of Victoria Wine, Peter Dominic, Bottoms Up, Waitrose and Ad Hoc, and is a wine with real substance. The Bulgarians reckon Assenovgrad, in the south, is best suited to this robust red that rewards oak and bottle ageing with a bouquet bordering on the subtle. Take advantage of a wine that is at its modest but under-priced peak.

Marsanne is not a white wine variety that gets around the way that trillop, Chardonnay, does. With Roussanne, it is the more widely planted of the two varieties responsible for white Rhône such as Hermitage and Crozes-Hermitage. The wines seem to me to be slightly reminiscent of gum, the sort of gum you stick paper with - which I don't mind at all. They are relatively full-bodied and can have an almost marzipan flavour, but they need every notch of acidity to keep them appetising. Some slightly heavyweight examples have come out of Australia, but now the Midi is the source of some inexpensive Marsanne with real interest.

More serious, and more suitable for chateaux-lovers, is Majestic's Yugoslavian Vranac 1986 (which, as a bizarre grape variety, qualifies twice over as an underdog). This concentrated, chewy, well-structured wine with, presumably, Yugoslavian oak (is this the cure reason it reminds me of some Italian reds?) is bottled by the Agri-kombinat of Titograd and costs only £2.89. Irresistible, surely?

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PERHAPS I am wasting my time and space recommending Romanian Pinot Noir to readers of the *Financial Times*, but this wine is great value. Bottoms Up has it labelled as Classic Romanian Pinot Noir, dated 1984, at £2.59, but I'm sure it is the same wine that Sainsbury's has for £2.29, labelled more stylishly as its own version. In its usual helpful way, the Sainsbury back label recommends that we drink it at room temperature within the next year.

Non-Bulgarian, Eastern bloc wines
As a result of some household devils, I tasted it blind at cellar temperature recently and found it recognisable clearly as the great red grape of Burgundy (quite a triumph for a wine at this price level) and a much more attractive wine than a cheap red burgundy at more than twice the price. Serve it anywhere between cellar and room temperature and expect simple, ripe flavours slightly (but not unpleasantly) reminiscent of strawberry jam.

MAJESTIC Wine Warehouses has also taken a position on 1987s, although rather an odd one. It is offering several very cheap second wines, offered from the principal bottlings of the chateau. In uniformly good vintages, such as 1982 and, to a certain extent, 1985 - these can be very good but in patchy vintages, such as 1987, they are a considerably less sure bet.

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1987 claret
THIS IS not a "great" claret. Nevertheless, if 1987 clarets

Second wines
MAJESTIC Wine Warehouses has also taken a position on 1987s, although rather an odd one. It is offering several very cheap second wines, offered from the principal bottlings of the chateau. In uniformly good vintages, such as 1982 and, to a certain extent, 1985 - these can be very good but in patchy vintages, such as 1987, they are a considerably less sure bet.

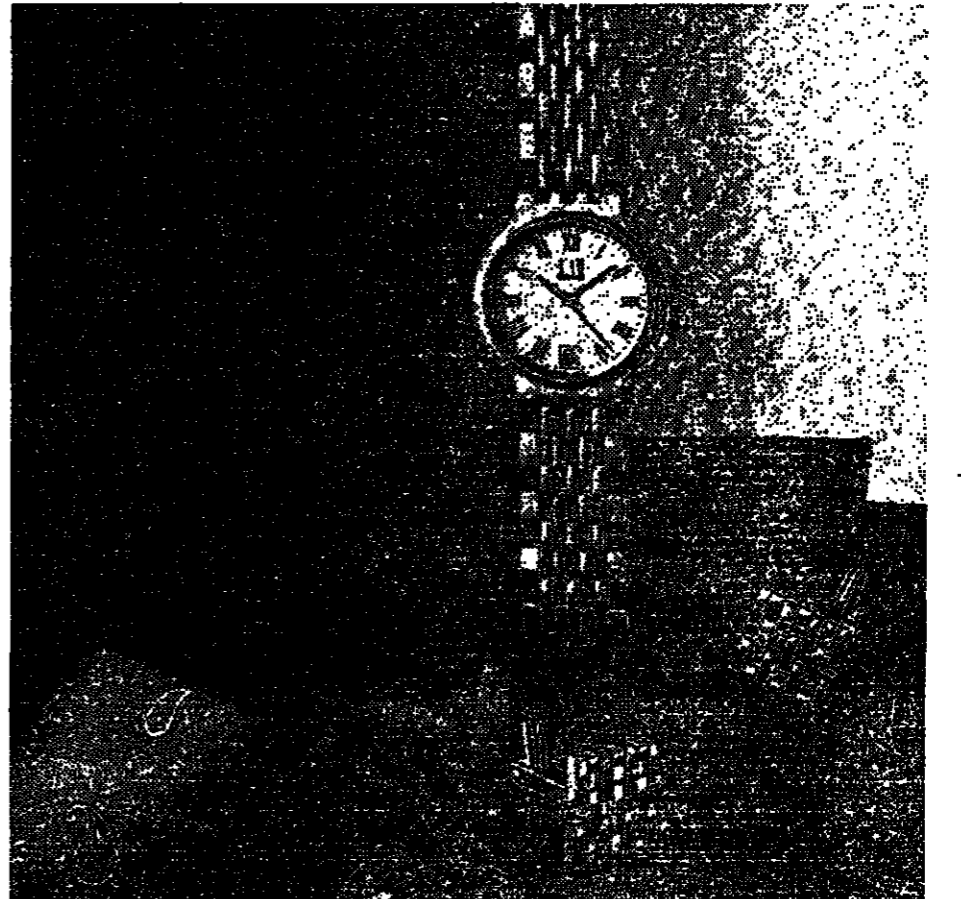
"ET TEPPE FOR JUL" pronounced the Chairman
"HIDE THE PORT" commanded Miss Corbishly.
The Chairman gets some funny ideas at this time of year. His latest is "A Rug for Christmas" which he says, "will take us into 1992 and Europe etc, not that he'll be around to see it!" "Oh dear, how sad" commented Miss Corbishly.
As one of London's very oldest carpet galleries we have three floors of beautiful rugs, tapestries, cushions and needleworks from as little as £30. Exemplary gifts and a much better investment than a fool's errand for her and matching tie and socks for him. It's quite an Aladdin's cave here so pass a visit, you might even get to hear the Chairman practicing his Norwegian for Beginners. ("Et Teppe for Jul" is Norwegian for "A Rug for Christmas", by the way).
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DIVERSIONS

Are you barking up the right tree?

Lucia van der Post and illustrator James Ferguson look at a popular Christmas symbol

OF ALL the Christmas symbols the tree is one of the best-loved. It is the focal point of Christmas gatherings, in offices, livery hall or private home. To those who love the celebratory side of Christmas, who glory in the chance to dress the house in all its finery, who enjoy every part of the festive season, the tree offers a marvellous opportunity to indulge their decorative and creative fantasies.

If you feel that your inspiration is a little well-worn and that you are in need of visual stimulation, go along to the main entrance of the Victoria & Albert Museum in South Kensington, London, where from November 30 to December 7, from 10 am to 5.30 pm six days a week and from 2.30 pm to 5.30 on Sundays, 11 highly individual, expertly-dressed Christmas trees will be on view.

All the trees have been donated to the Save The Children Fund by the individual shops, designers and decorators involved. All the designers have clearly had a lot of fun. Each is decoratively as different as

could be, with themes varying from the richly baroque "The Kingdom of the Pearl" (Garrards) to the relative simplicity of The Conran Shop's Indian tree.

Ten of the trees will be auctioned on December 7 at a grand dinner in the presence of the Save The Children Fund's president, the Princess Royal. The 11th tree will be raffled on the evening of the dinner and money raised will be given to the fund. Last year's festival of the trees raised some £50,000 for the fund.

Although I am mainly urging you to go and see the trees for the visual inspiration they offer — many of the ingredients for dressing trees can be bought either from the shops or designers who have donated the tree or from big department stores — anybody who falls in love with a tree and wishes to buy that particular one, complete, can telephone Alison Waylen, of the Save the Children Fund, on 01-703-5400 and make an offer.

Here, for those who cannot manage to get to the V & A, is a preview of some of the trees.



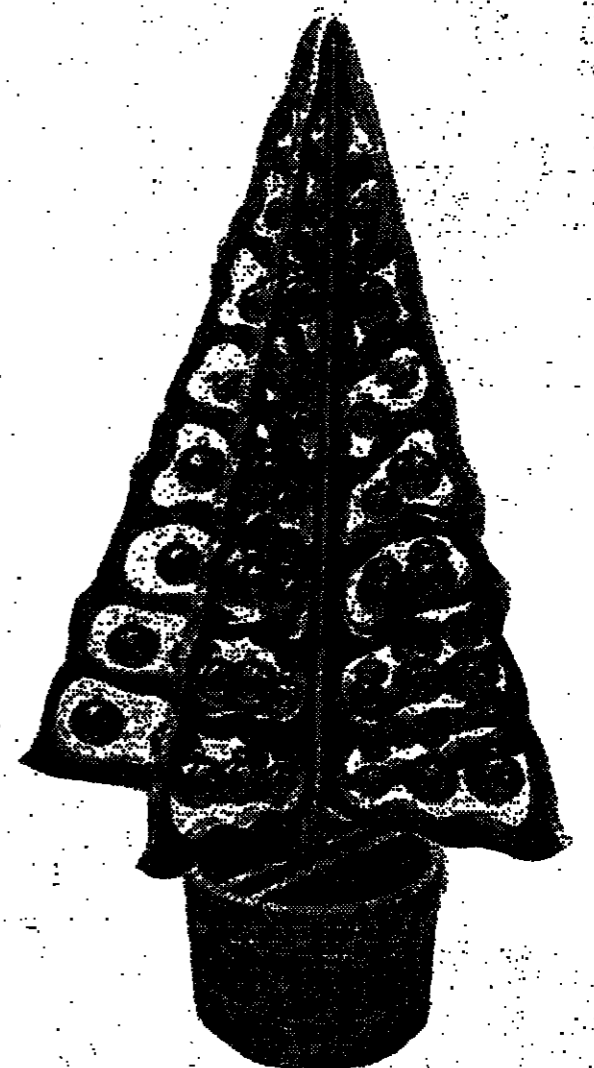
■ The Conran Shop's tree of Scottish Broom was hand-made to order by one of its basket suppliers in southern Spain. Six feet high it has been decorated with traditional festival decorations from India. Made from silver and gold fabric with applied gold thread, mirrors and beads the decorations would go on looking good Christmas in and Christmas out. The presents — all of which will go to the happy winner of the tree — include table-linen, bed-linen, stationery, toys and ceramics. They are wrapped in orange recycled paper and tied with knot yarn. Although the tree is a one-off, and is not for sale, the decorations can be bought for 99p and £1.25 each, and the recycled wrapping paper sells at £4.50 for five sheets.



■ From Tiffany's comes a tree with a theme of toys. It was designed by Celia Lindsay, Tiffany's display manager, who used a real four foot high tree and dressed it with brightly-coloured toys — everything from trains to teddy bears, cards, soldiers, toy animals and a complete jigsaw puzzle. At the top of the tree sits a sterling silver teddy bear rattle. All are tied on with different-coloured ribbons. The tree is supported by boxes and packages covered in the distinctive Tiffany turquoise paper. A children's china tea set, intermingled with the packages, completes the effect.



■ The Harvey Nichols tree, designed by Mary Bortea, is inspired by the lavish, decorative style of the Baroque period, all red and gold and rich deep colours. An artificial Noel pine tree, about six feet high, it is bedecked from head to toe with angels, cherubs, baubles, tassels, gold-acquainted stars, red and gold beads and all topped with a gold-spangled tinsel. Anybody unable to bid for the ready-dressed tree, and wanting to create something of the same effect, can buy most of the items from the 8th floor at Harvey Nichols. The tree is £85, the tree beads are £1.25 a string and the decorations themselves vary in price but start at £2.99.



■ Victor A. Stanley, landscape director of Clifton Nurseries, wanted to produce a really simple, one-off tree. He decided against a natural tree because of the problems with needles and so he opted for a five-footer made of ½ inch green-stained plywood, with the edges stained Chinese red. The five wings of the tree are pierced with irregular cutouts to give a delicate branch-like effect. In the pierced outwork branches there are simple red baubles — some 65 in all — and four red decorative birds. The whole tree sits in a simple green stained oak wood tub which will be filled with wrapped gardening gifts of every sort. Clifton Nurseries sells natural tubs (you could leave them simple, stain them green yourself or cover them with crinkly paper, recycled paper or aluminium foil) for £41.40, red baubles for 99p for the small size, 50p large and the birds are £2.50 each.

Addresses:
The Conran Shop, Michelin House, 81 Fulham Road, London, SW3 6RD.
Clifton Nurseries, 5a Clifton Villas, London, W9 2PH.
Harvey Nichols, 109, Knightsbridge, London, SW1.
Tiffany, 25 Old Bond Street, London-W1X 3AA.
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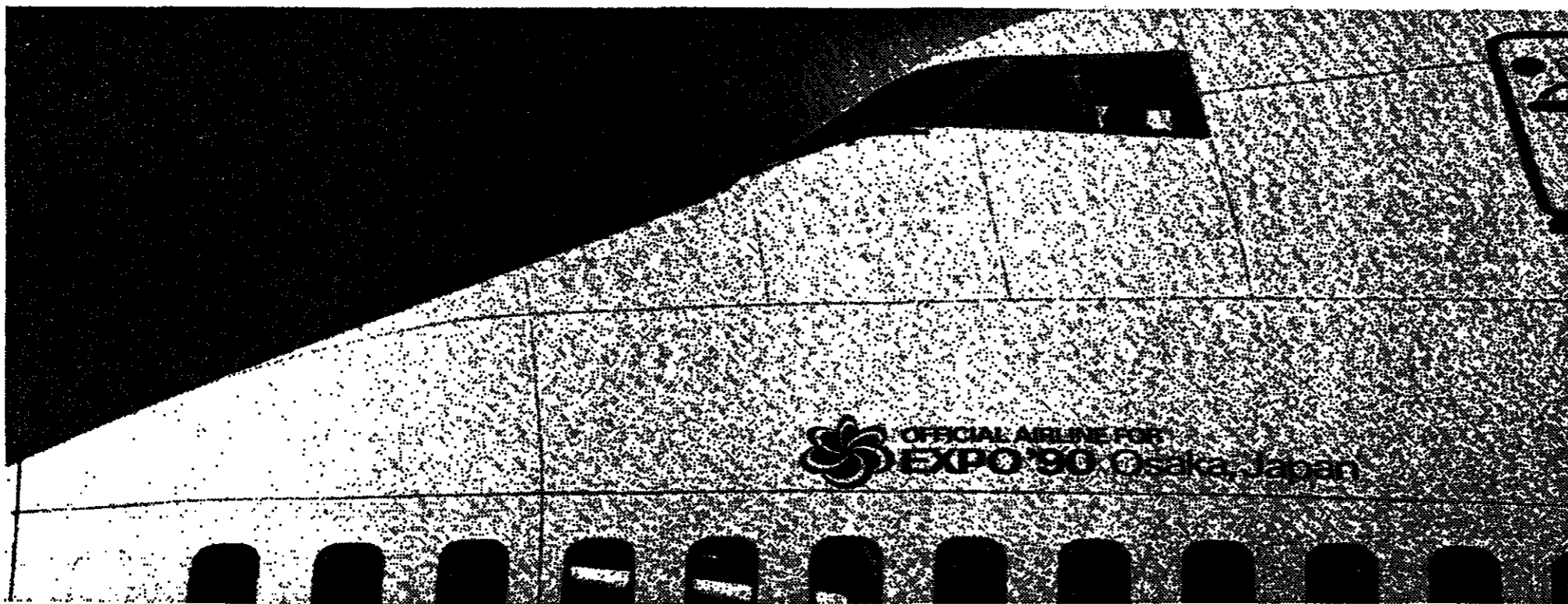
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LONDON (THUR)	08:28	17:00	(FRI)	13:50	TOKYO	
LONDON (SAT)	08:28	17:00	(SUN)	13:50	TOKYO	

ANA TOKYO (HKT) - LONDON (LOW) TIMETABLE

TOKYO (HKT)	08:20	10:05	(THUR) 14:55	08:00 (HKT) 10:15	(FRI)	10:50	LONDON
TOKYO (TUE)	08:20	11:20	(TUE)	10:10	LONDON		
TOKYO (THUR)	08:20	11:20	(THUR)	10:10	LONDON		
TOKYO (SAT)	08:20	11:20	(SAT)	10:10	LONDON		

* Aircraft Boeing 747-LR. * Times shown are local times.
* All schedules are subject to change without notice.



HOW TO SPEND IT

Lucia van der Post visits Japan's capital and offers advice to travellers, ideas for original gifts and where to buy them, and lots more

A hymn to Tokyo (ancient and modern)

TOKYO IS indubitably foreign. Anyone - who thinks the world is shrinking, and that everywhere is becoming like everywhere else, should head for Japan. Tokyo is like nowhere else in the world.

For the short-stay visitor, the immediate problem is language. In central Tokyo, most big stores, subways (which are models of cleanliness and punctuality), London Transport please visit in English but getting around remains confusing.

Although I had been warned that Tokyo was busy, crowded and confusing, nobody had told me of the infinite kindness I would receive or of the old-world, almost Edwardian, standards of politeness and good manners.

The corollary of this is that you, too, will have to produce your very best manners. A slight bow when you are introduced will not go amiss.

It is customary to take a present for your host or hostess when you are invited to dinner. Less important than the contents (although anything very English, particularly anything with "Harrod's" on it, will go down a bundle) is the wrapping, which should be as exquisite as you can muster.

You might have to take off your shoes with some frequency - especially in restaurants or old Japanese inns - so make sure you have stocks of impeccable socks.

Be warned that the jet lag is terrible. If you are wise, you won't make appointments for too early in the morning - seasoned travellers tell me that 10 am is quite early enough.

IN JAPAN packaging is not just a commercial aid to selling or a practical way of delivering goods - it is an integral part of the culture. Whichever department store you visit, make sure not to miss the food department, where you will be astounded at the beauty, refinement and subtlety of the wrappings.

Those who love Japanese designers should head for their shops. Not only is it a cultural experience just to see them in their own environment but everything seemed about a third cheaper.

lot that is very special. Shopping is the cultural art form. Japan must be the world's most consumer-orientated society, and the sight of office girls spending phenomenal amounts of money in the stores is awesome.

The Ginza is a shopping district full of creative bits and pieces. It also has old, traditional stores and you should visit at least one of them. Arrive in the morning for the opening ceremony, with exquisitely-dressed girls bowing.

Creative people are valued very highly, and this is evident in the profusion of visual delights. On the other hand, Tokyo people must be among the world's most conservative shoppers, going for the big brand names like such as Burberry, Dior, Vuitton and the like.

Writing equipment and materials are nearly always beautiful and, if you are searching for some presents that aren't too expensive, they are a good bet.



Illustrations by JAMES FERGUSON

very small shop called Majiro-aid Eryoin at 5-50-6 Jingumae, Shibuya, where they specialise in unbranded - and, therefore, relatively inexpensive - plain but very chic basics.

Bathing is crucial in Japanese culture and all the products connected with that are superb. Look especially in Tokyo Hands at 12-18 Udagawacho, Shibuya-ku - it is a good store for handicrafts of all sorts.

Large men should take extra care not to lose their luggage - clothes for them are very hard to find although, in the big department stores, it is getting better.



Packed with tradition

THE REAL fascination of Japan lies in its beguiling combination of the up-to-date and the very, very old.

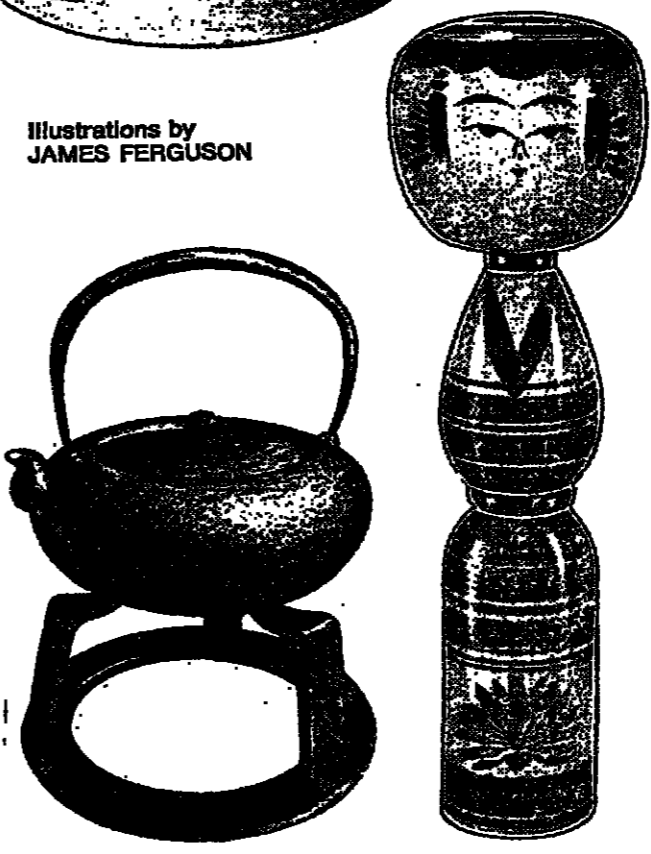
Those who have an affection for everyday articles made with care and artistry will find that Japan is a treasure-trove - no other culture that I know of places such deep importance on the visual artistry of every aspect of their lives.

All over Tokyo there are places where you can see and buy authentic Japanese crafts. Almost every big store has a department given over to them and for souvenirs I can hardly think of anything more attractive than traditional Mingel.

Visit the Nihon Mingelkan Museum at 4-3-33 Kojima, Meguro-ku (the home of Yanagi Soetsu, who coined the word "Mingel" and whose eloquent writings on the subject helped them gain the love and respect they deserve).

Here you can see the crafts in the Japanese love so much, the traditional indigo cloth, agate beads and jewellery, lacquerware and basketwork, fine brushes for calligraphy, old iron kettles, old wooden chests and the dolls that grow-up Japanese like. Any of these can be bought and shipped to Europe but, although these products were once thought of as just simple utilitarian products, these days they are beginning to be rediscovered by the Japanese and none of them is cheap - they are, however, very lovely.

Everything is beautifully labelled with the prefecture of origin and some historical details about the beginnings of the craft. Sketched left are rather lethal-looking cooking knives, a ceramic eating bowl, a cast-iron kettle and a fine wooden doll.

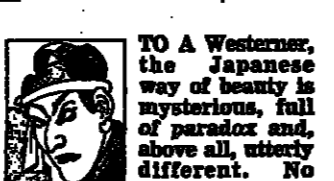


block prints from the late Edo period by all the famous names (Utamaro, Harunobu, Hiroshige I, Kōchōrō, etc.) can be found at the Matsushita Gallery, 3-12 Minami Aoyama 6-Chōme. Just down the road is some wonderful Takatori pottery.

Antiques, although the best place for those in search of authentic Japanese antiques is Kyoto, there are some lovely shops in Tokyo. The best department stores, in particular Takashimaya, have small sections given over to genuine antiques.

A TINY shop called Blue & White, at 2-0-2 Asaba Bujin, Minato-ku sells a marvellous range of traditional, crisp, blue and white cotton fabric used for the summer kimono, the Yukata.

Boom product



TO A Westerner, the Japanese way of beauty is mysterious, full of paradox and, above all, utterly different. No typical, more poignantly polished with one foot in its ancient oriental past, and the other in the high-tech world of the future, than Shiseido.

Now it has some of the most modern, and up-to-date research laboratories in the world. Its graphics, packaging and advertising (all overseas by the French image creator, Serge Lutens) are outstandingly successful in conveying this duality to its customers all over the world.

Hold the lacquer-like lipstick case and you can sense the echoes of Japanese bamboo. Look at the startlingly dramatic black and red image on the Shiseido literature and you will not forget the company's ethnic origins.



particular a men's lotion that makes a slight exploding noise as you use it. For a real treat - an expensive one, any woman lucky enough to have time and money on her hands in Tokyo should head for a beauty session at the Shiseido Beauty Salon at Shiseido, The Ginza Bldg. 7-8 F, 8-10 7 Chōme, Ginza, Chuo-ku.

Here they offer massage with Shiatsu, an ancient Japanese technique which involves deep massage of acupuncture points and is said to release toxins and tensions in the body.

Nightlife. On the whole, Tokyo citizens eat early. In most districts, ordinary restaurants start shuffling the chairs and looking anxious between 9.30 and 10 pm so, if you feel the night is yet young and you have energy to spare, move on to Roppongi.

Karaoke bars are a huge if mysterious (to Western minds) success. You really need a local's advice on which to visit but they are now an established phenomenon where young girls, businessmen and anybody else in search of a jolly evening goes to drink and sing local pop and folk songs to the sound of a record while a video illuminates the words.

It is indeed an astonishing sight to watch the savant with his sober blue suit, white tie and briefcase grab the microphone and become absorbed into a deeply amorous love-lorn swain. If you do not have a willing Japanese accomplice, you can wander around listening for the sounds of the out-of-time voices.

NEW HOMES ADVERTISING appears every Saturday in the Weekend FT. For further information please call Genevieve Marengi on 01-873 4927

Advertisement for Andemars Pignet watches, featuring the text 'THE FINE ART OF SIMPLICITY' and 'La plus prestigieuse des signatures'. It shows two elegant wristwatches.

Gear collection for men - in

I found it mildly painful at

HUNTSMANS Style and quality available in Hand Tailored Ready-to-Wear Mens clothing 11 SAVILE ROW

Large advertisement for Harrods, featuring the text 'FREE KNIFE SHARPENING AT HARRODS. (FORGIVE US FOR BEING SO BLUNT.)' and details about the service.

SPORT

IT MIGHT be a question from Trivial Pursuit. "What do Diego Maradona of Argentina and Roberto Rojas of Chile have in common?"

Hand of God and bracelet of blood

World Cup Soccer: Philip Evans discusses the final qualifiers



Maradona's handball against England in the 1986 World Cup - which he described afterwards as "a little bit of the Hand of God"

There is never any love lost between these two sides. In their first meeting in Santiago on August 13, two players were ordered from the field in the first 12 minutes; before the game had finished, seven more had been booked.

What was unexpected was the nature of the trouble. Chile were already a goal down when, as TV pictures later revealed, a flare was thrown from the crowd. It appeared to strike the Chilean goalkeeper, Roberto Rojas, who at once collapsed, clasping his head.

Two other South American groups also saw close finishes, even if they were less given to displays of theatricism. In the deciding match of Group One, Uruguay, relying on their Rome-based striker, Ruben Sosa, defeated Bolivia 2-0.

The Colombians became most distressed and the police had to rescue the Chilean referee, who is unlikely ever to visit Colombia again.

substitute Alberto Umrigara) of their two meetings at home in Barranquilla. The fourth South American team competing in Italy will be Argentina, the champions.

Another tennis era reaches match point

ANOTHER TENNIS era will end next week when the \$750,000 Nabisco Masters, an eight-man extravaganza at Madison Square Garden, New York, brings down the curtain on 20 years of Grand Prix competition.

At least we shall begin, as all the best stories should, at the very beginning, which is always a suitable place to start. The first tournament will take place in Adelaide, Australia. I am a little surprised that the ATP Tour board, conscious of the need to exploit every promotional trick, has not asked "Bobo" Zivjovic to organise the last event in Zagreb with Sound of Music-style vocal accompaniment from Julie Andrews.

There is another, insidious danger. Increasingly, television, because of the revenue it creates, has come to dictate the scheduling of matches, occasionally with disastrous results for the players.

around the end of the baseball season. A year or so ago, John McEnroe was exhausted after one set of his Sunday final against Ivan Lendl because his semi-final against Jimmy Connors had not finished until late the previous Saturday night.

John Barrett on the end of 20 years of Grand Prix competition

There was no reduction in Graf's income last week at Madison Square Garden. Despite a badly twisted ankle, this amazing athlete duly won the Virginia Slims championship and retained the title of world champion, so ending another marvellous year in which she has been beaten only twice and won almost \$2m.

Next week, Becker is the popular favourite to retain the title that he won for the first time last year. That day, he survived against world champion Lendl in an absorbing five-set final that ended with a dead end cord on the last point of a thrilling all-court rally.

off the top of the net over Rostagno's outstretched racket. Fate had ordained that he should survive.

For those who believe in these portents, the success of Graf last week virtually ensures a Becker victory next. After their double at Wimbledon and the US Open, the argument goes, the year must surely belong entirely to Germany. After all, these things run in threes, I am told.

Whatever the outcome, everyone is already preparing to usher in the new era with next year's ATP Tour. For the sake of the game's world-wide credibility, it must succeed.

CROSSWORD

No. 7099 Set by GRIFFIN Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday December 6, marked Crossword 7099 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday December 9.

Crossword puzzle grid with numbers 1-30 indicating starting positions for clues. The grid is a standard crossword format with black squares and white squares for letters.

- ACROSS 1 Club's cup final total (6) 2 Dies before she is pulled through (8) 3 Blue coal is a rock to us (9) 4 Gather skinhead's first to make row (5) 5 Turkish governor against entering group (4) 6 Ram tied with rope leads marches (10) 7 Ought to be useful round black spot (7) 8 I'm sending back sea-eagle without fur (9) 9 Thanks retiring disc jockey (American) for including tune (6) 10 Put away amount in ice-cream container (7) 11 Back, doing man's round, is giving up (10) 12 Admitting I mock back a couple (4) 13 Welcome the French before getting permission (5) 14 Last of the carp or dog fish (8) 15 Ground has time after horse training (8) 16 Deserts Egyptian leader fighting in street (6) 17 Shot Algerian union leader in a cushion (9) 18 Favour having flex wrapped around (9) 19 Guy gets attached to it (4,3) 20 Bright yellow lavatory by a railway (6) 21 Paint and sick, propped up in a cushion (9) 22 Humble sailor, sea-sick (5) 23 Simmered in some water (4) 24 Solution to Puzzle No. 7,098

Down clues for the crossword puzzle, including: 1 Down: 10 letters, 2 Down: 10 letters, 3 Down: 10 letters, 4 Down: 10 letters, 5 Down: 10 letters, 6 Down: 10 letters, 7 Down: 10 letters, 8 Down: 10 letters, 9 Down: 10 letters, 10 Down: 10 letters, 11 Down: 10 letters, 12 Down: 10 letters, 13 Down: 10 letters, 14 Down: 10 letters, 15 Down: 10 letters, 16 Down: 10 letters, 17 Down: 10 letters, 18 Down: 10 letters, 19 Down: 10 letters, 20 Down: 10 letters, 21 Down: 10 letters, 22 Down: 10 letters, 23 Down: 10 letters, 24 Down: 10 letters, 25 Down: 10 letters, 26 Down: 10 letters, 27 Down: 10 letters, 28 Down: 10 letters, 29 Down: 10 letters, 30 Down: 10 letters.

PHOTOGRAPHER Miss P. Finemery, Bridgewater, Somerset; Mrs J. Gower, Leeds; Dr L.C. Gurney, Newcastle upon Tyne; Mr K. Morrice, Potterton; Aberdeen; Mr T.J. Spencer, Wood Green, London.

TELEVISION & RADIO

Television and radio schedule for Saturday. Includes sections for LONDON, ANGLIA, BORDER, CENTRAL, CHANNEL, GRANADA, HTV, SCOTTISH, TSW, TYNE TEES, ULSTER, and YORKSHIRE. Each section lists channel numbers and program titles with start times.

Television and radio schedule for Sunday. Includes sections for LONDON, ANGLIA, BORDER, CENTRAL, CHANNEL, GRANADA, HTV, SCOTTISH, TSW, TYNE TEES, ULSTER, and YORKSHIRE. Each section lists channel numbers and program titles with start times.

TELEVISION & RADIO

Television and radio schedule for Sunday (continued). Includes sections for LONDON, ANGLIA, BORDER, CENTRAL, CHANNEL, GRANADA, HTV, SCOTTISH, TSW, TYNE TEES, ULSTER, and YORKSHIRE. Each section lists channel numbers and program titles with start times.